

# *Public Administration*

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# Reviews

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# Civil Service Traditions and the League of Nations

By the Rt. Hon. Sir AUSTEN CHAMBERLAIN, K.G., M.P.

[*Being the Inaugural Address for the Session 1929-30*]

IN this Institute we represent not merely the Civil Service of the Crown, but also what I may call the civil services of our municipal institutions. Now, I cannot claim the same close acquaintance with the work of the civil servants of our local administration as with that of the civil service of the Crown, but no man can have been engaged in the public life of this country during the last generation without having it borne in upon him that the part which they take, just like the part of the servants of the central government, is one which is constantly extending in scope and in importance, and that it requires a study in administration as administration in order that the members of these services may be equipped to do their duty and to render the greatest possible help to the communities which they serve.

Now, when I considered the diversity of questions that interest you as members of this Institute and upon which I might speak to-night, I found myself confronted with a difficulty which a little surprised me and may surprise you, that after more than twenty years, I think, of office I know so little of the administration side of the Civil Service, of the way in which it works and how it accomplishes its task. A Minister is a busy man, the problems which confront him are sufficient to occupy the whole of his attention, and unless he is of a very inquiring and even inquisitive turn of mind he is not very likely to look beyond the smooth operation of the work of his office, to see exactly how that result is achieved, and see by what stages and by what processes the work comes up to him prepared, with skill, with completeness, and with care.

It is a mistake to suppose—and I hope it always will be a mistake to suppose—that the civil servant governs this country. It is no doubt true, as the late Sir William Harcourt said on some occasion, that a government of civil servants would be a very able and a very

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efficient government, but then, as he added, they would all be hanged to the lamp posts before the end of six months. It is the business of the Civil Service to have at the service of the Ministry all past experience. We Ministers arrive full of ideas which we believe to be novel, as novel as they are excellent; we are only astonished that our predecessors have never thought of them, and our only anxiety is lest someone should publish them before our Bill is out. Then the civil servant says, "Oh yes, oh yes, I think before you do that perhaps you had better see a memorandum which was written in 1914 on that subject, or the observations which we made for your predecessor when he put forward the same proposal and which induced him to drop it." That is the first stage. The second stage is to present to the Minister such constructive suggestions as they can develop out of their experience to meet his policy. I remember an argument with one distinguished civil servant who was head of the Post Office when I was Postmaster-General, in which, through a long hour, he sought to dissuade me, from doing that which I thought it was expedient to do. I was glad to have all his arguments against my proposal. When I had heard them all, I felt it was unlikely that any surprise would be sprung upon me in the House of Commons. I now knew the worst, and rightly or wrongly I persisted in my opinion, and expressed my intention of carrying it out. And then my eminent friend discharged the second valuable function of the civil servant. "Well," he said, "if you will do a silly thing, of course you must, but is it essential to you to do it in that silly way?" And having done his utmost to dissuade me from doing it, he then showed me how to do it with the least friction and the smallest disadvantage.

Now, Ladies and Gentlemen, your service, or combined services, have made, I think, in recent years a contribution to world history and to world organisation, of the extent and the character of which you may not be fully aware. When at the close of the Great War and of the Peace negotiations the League of Nations was established one of the tasks that presented itself was the formation of a Secretariat for the League which should be able to do in its measure for the Council and the Assembly what you in your different departments do for the British Government and for the local administration of this country. By common consent of the founders of the League, an English civil servant, Sir Eric Drummond, was chosen as first Secretary of the League. He carried to the League the traditions of our British Civil Service. From the moment that he entered the League's service he knew no other master than the League; he never sought, and never has sought—he would think himself dishonoured if he did—to use his position as Secretary of the League to further the particular interests or purposes of his own Government and his

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own people. He brought to his first colleagues and to the establishment of the League organisation all that he could of that spirit of loyalty, impartiality and detachment which are the foundation of the reputation which our Service has built up, and of its power of usefulness in our national life. There is no higher compliment that I could pay to you members of the British Civil Service than to point to the recognition which, on all sides at Geneva and from every nation, this tradition of the British Civil Servant has received. Under Sir Eric Drummond there has grown up at Geneva a great international organisation divided into many sections, working in a great number of different spheres on all sorts of different problems, constantly engaged in matters which excite bitter national animosity and, even when they do not do that, bring to life differences of history, of tradition, of habit and custom and temperament, unlike anything that you find in a single national service like our own. Yet there has grown up in the Secretariat of the League that same *esprit de corps* in the best sense, that same loyal performance of duty, which in its own sphere characterises the Civil Service of this country.

Imagine the difficulty in the case of a Secretariat in which you cannot choose a man, as of course he is always chosen here, solely with reference to his fitness for the post to which you appoint him. If the Secretary-General is an Englishman, even though the next best man in the service of the League were an Englishman, it would be impossible to appoint him as the first assistant of the Secretary-General; you must take account of the fact that this is an international organisation; you must form your Secretariat not merely of competent people but of competent people fairly evenly distributed over the 47 or 50 nations who comprise the League. All must be reasonably represented in the different grades of the Secretariat, and out of these people, drawn from so many different countries, trained in so many different traditions, you must make one international Secretariat acting under and for that common entity which is the League of Nations.

The Secretariat, like the staff of other offices, has a tendency to grow, a constant tendency to grow. Work breeds work; one activity successfully performed invites to the undertaking of another; one obstacle overcome, another obstacle presents itself which one must at once attack, and accordingly, as the years have gone by, instead of there being four meetings in the year of the Council, seldom exceeding for each the six days of a working week, and one meeting of the Assembly, during which the pressure on the Secretariat was always very great, you will find now that there is hardly a week passes—I think not a month—in which there is not meeting at Geneva (under the auspices of the League if not directly as part of the League

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organisation) some Commission or Committee who demand for the preparation of their work, for secretarial duties during that time, for the presentation of their conclusions, and their distribution to the world, the services of this Secretariat.

Great branches of international activity find their representation in separate branches of the Secretariat—a section dealing with disarmament, until lately presided over by a very distinguished Spaniard now Professor of Spanish Studies at Oxford and now presided over by a distinguished Swede; a section devoted to health and international health services. There is a section dealing with finance, to name one of the most difficult and most acute and harassing of all problems of post-war Europe, and indeed of the post-war world. Then again there is a section to deal with what I was going to call social services, but more particularly with all that concerns international co-operation and international agreements for the protection of women and children; and a section to deal with those thorny questions which arise in the interpretation or the execution of the Minority Treaties and similar agreements.

In regard to the organisation of the League of Nations I feel very much as I do about the organisation of the home service. I have profited by it, I have admired it, I have seen its results, but I have never found time in my brief visits to Geneva really to investigate its working or to see how these results are obtained. If I take one illustration it will be from the Section of Minorities—because with the work of that Section I had a good deal to do—just to see what is the class of question that has to be dealt with, and in broad outline what means the League has for ascertaining the truth and for giving wise counsel and advice.

When the Peace Treaties were signed, certain populations which up to that time had been subject to Governments of a different race and often of a different religion, were either united with Governments to which they were racially attached or were established as separate nations in the world. But unfortunately the nations of the world, or of the old world at any rate, do not live in such a way that a line drawn at any point about a frontier will put all men of one race on one side and all the men of the other race on the other side. On the whole, I believe that the territorial arrangements made in the Peace were not merely infinitely fairer, infinitely more natural, than those which preceded the War, but that, broadly speaking, they were as fair, as reasonable, as human infirmity would justify us in expecting at a settlement reached at such a time, after such a struggle and in such conditions.

It was inevitable, however, that a certain number of new racial or religious minorities should be created and it was desired, if it were

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possible, to avoid that oppression of these minorities which had been one of the causes of unrest and even of the outbreak of war in the past, and to secure to the minorities thus transferred against their will—and only because there was less injustice in including them with the others than in excluding both the others and them—the enjoyment of security against oppression or ill-government on racial grounds and against the oppression of their religious and cultural development. Accordingly these Minority Treaties were framed, the countries came under an obligation to administer these new territories and their populations subject to certain broad conditions, and there was imposed upon the Council the duty of watching over the execution of the Treaty.

This duty was not imposed directly upon the Council as a Council, but each member of the Council, that is to say each State or Government which, whether permanently or for the time being, was represented on the Council, had the right, and having the right in certain cases would have the duty, to call the attention of the Council to any breach of these Treaties or persistent abuse of the minorities which might come to its notice. Then grew up a system of petitions to the Council, either from the minorities themselves or it might be from bodies which were interested racially or religiously in the fate of those minorities, and out of nothing the League had to create a section of its Secretariat which should receive these petitions, which should examine, and prepare them for presentation to the Committee of the Council appointed to deal with them, which should collate all available information, should be the instrument, if necessary, by which this Committee or the Council itself, if appeal were made to the Council, should carry on any further communication or ask for any further information which they required either from the Government which was concerned or from those who brought the accusation.

Much criticism has been expressed of the manner in which the Council has discharged its duties in this matter. I do not think it would be desirable for me—and certainly this would not be the proper occasion—to enter into a general examination of that question, but I think that those who have assumed that the Council had no means of information except the petition presenting the complaint and the reply of the Government which was concerned, have underrated the extent of the organisation of the Secretariat, its international character, and its competence in dealing with the work which falls to its share. In a Secretariat so formed there will almost certainly be people who have some knowledge of the local circumstances, there will very likely be people who, on the one side as on the other, have not only a personal knowledge but perhaps a particular affiliation, and through this collective knowledge of the Secretariat the Council, or its organ

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the Committee of Minorities, is able to acquire and apply many tests to the statements made in the petitions or to the replies made by Governments, which, but for the Secretariat it would be impossible to apply without great political disturbance, great exacerbation of suspicion and jealousy.

I have spoken of the Minorities Section in particular because it is one of whose detailed work I have had greater opportunity of judging than any other. If the Secretariat can successfully pass so severe a test as these minority questions impose with all their bitternesses, with all their historic background, then I think it will be said that we can rely with confidence on it in lesser things to overcome its national or personal predilections and honestly to serve the common cause represented by the whole League.

Of the primary duty of the League, the preservation of the peace of the world, I will to-night say only this. The League has not yet made and perhaps never will make war impossible, but the League has already made war—aggressive, provocative action—far more difficult than it was when the League first met. The exact working of its physical sanctions may be uncertain. The exact weight of physical force, either direct armed force or economic sanction which may fall upon any aggressor, may still be a matter of speculation and of doubt, but it is beyond doubt that an immense moral obstacle has been raised to an aggressive policy, a great tribunal created before which every nation and every Government knows that if it goes to war it will be called upon to plead and to make good its case, and this in itself must make ever more difficult an unscrupulous, ruthless policy regardless of moral right, regardless of the obligations owed to the world and of the rights of one's neighbours.

I myself am full of faith in the future of the League. I believe, as others have said before me, that the secret of physical disarmament is moral disarmament, and that no real and effective disarmament will be achieved until such a change has been wrought in men's minds and in the souls of nations as to make them instinctively regard war as *the* great crime against humanity. I believe that the work of the League in the sphere which deals directly with disputes between nations accompanied and supported as it is by its habits of constant meeting and constant collaboration in all fields of humanitarian endeavour, is full of promise for the future. But if the League is to achieve the great purposes which some of us think are inherent in its being, then it must be allowed to grow. It must not be expected to do more than its strength of the day can support. Let it grow as our own Constitution has grown—almost imperceptibly. Do not seek to write for the whole world a Constitution which is to cover every contingency and provide for every detail long before the contingency

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arises or the details are known. Let it grow case by case, turning always to the immediate and practical, and thus gradually build up an international jurisprudence and an international habit of mind which will make resort to force impossible and compel resort to conciliation.

## **Winter Conference, 1930**

THE winter conference of the Institute of Public Administration will be held in the Westminster City Hall, Charing Cross Road, London, W.C.2, on 25th January, 1930. The Chair will be taken by Sir Basil P. Blackett, K.C.B., K.C.S.I., at 10.30 a.m., when the following papers on "Business Management of the Public Services" will be discussed:—

Sir Geoffrey Clarke, C.S.I., O.B.E.	...	See page 10.
Sir John Reith	...	" "
C. E. R. Sherrington	...	" "

At the afternoon session, which commences at 2.30 p.m., the conference, on the basis of the following papers, will discuss "The Provision and Equality of Opportunity in the Public Services."

W. J. O. Newton	...	...	(To be circulated separately.)
C. R. Stampe	...	...	See page 44.

# Business Management of the Public Services

By Sir GEOFFREY CLARKE, C.S.I., O.B.E.

[*Paper to be discussed at Conference on 25th January, 1930*]

IT might easily be argued that the business management required in a Public Service should not differ in any important degree from that required for a private enterprise. The essentials of business management in any concern are proper organisation, economical working and a reasonable devolution of responsibility and these apply to all undertakings whether they be non-earning services, commercial services or public utilities.

The extension of public management into industrial fields spread very greatly during the War and in those strenuous years public officials acquired a taste for business matters almost equal in intensity to the distaste which the business man acquired for red tape. At the same time the more sensible members of each class grew to understand each other better and the business man began to modify his views regarding public service methods. The members of the various public services also obtained an insight into the difficulties which had to be faced in running a large industrial business. Necessity for single control, for quick decisions and for seeing those decisions given effect to at once, was a new experience to men accustomed to the unhurried course of the office file passing from one Department to another until it was finally pigeon-holed and forgotten. On the other hand, the strict financial control of the Treasury was an object lesson to business men who at times are not too careful in spending other people's money upon unprofitable schemes. In fine, the association was a valuable one and has led to the adoption of much more business-like methods in the conduct of the public services since the war. The success of these methods has in turn led to an increasing demand for the public control of all utility services.

There are two sides to every Public Service—the economic and the social. The economic side demands efficiency at reasonable cost to

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the consumer, the social demands fair treatment of employees and equal treatment as between one member of the public and another. The social side requires a control that is superior to the business management; in fact the policy of a Public Service may not, and often does not conform entirely with pure business ideas. It would, for instance, pay a tramway service to run trams only in congested areas at certain hours of the day when traffic was brisk, but however profitable from a commercial point of view, such a policy would be entirely opposed to the social side of a public transport service, the object of which is to supply all areas in a particular district with adequate means of locomotion. One could multiply examples of such preferences *ad infinitum* and it is unfortunate that prevention of preferences does not always coincide with economical working.

The main difference between a Public Service and a private enterprise is that the former is, or ought to be conducted primarily for the benefit of the public in the form of services rendered; the latter is conducted for the benefit of its owners or shareholders in the form of dividends. Any profit made in the administration of a Public Service over and above the sums required for meeting overhead charges and maintenance, must be regarded in the form of a tax levied upon the users and it is for the Public Authority in question to decide whether such a tax is justifiable.

Public Services, except whether they take over a flourishing private enterprise, are handicapped from the very start by the necessity of raising money by means of loans at a guaranteed rate of interest. Private enterprise can obtain money from shareholders who are or have to be content to wait for dividends until the enterprise is in a position to pay them. Not so the Public Service. It has a heavy charge for interest imposed upon its revenues during all those difficult years when it is developing its business and it is this burden which so often hampers its development. It is this burden which renders business management so difficult in the early stages.

### *Financial Control of Public Services.*

No public body can surrender its control over the finances of a commercial enterprise subject to its authority, but it is necessary to exercise that control in such manner as not to interfere with efficient management and development. The general control will usually be invested in a Committee of Management selected by the Public Authority and it is most important that this committee should be composed of men who have a good knowledge of business and who have been accustomed to handle large enterprises. One of their members should be a financial expert to act as Adviser to the Public Authority with reference to the finance of the Service.

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The first matter to settle in connection with any Public Service is the policy to be adopted with respect to its earnings. Is the Service to be run at a profit for the benefit of the rates or is it to be just self-supporting for the benefit of the users? In this connection there is a great difference of opinion and the practice is not the same in England and Scotland. In England a substantial portion of the revenues is usually applied to the relief of rates and of course charges can always be fixed in any monopoly service so as to give a surplus revenue. In Scotland it is usual to budget for just enough revenue to meet the costs of working and maintaining the service and any surplus or deficit is carried forward to the following year. As a matter of general policy it is doubtful which is the better practice, but from the point of view of business management the earning of a surplus revenue is a very useful incentive to the administrative and executive staff. Whatever policy be pursued, it is essential to the conduct of any commercial service that the funds allotted for its capital and maintenance expenditure should be at its entire disposal to spend as required and should not lapse at the end of each financial year. This lapsing of funds is the rule in many Government Departments and leads to hurried estimates, wasteful expenditure in the latter months of the year and uneconomic projects which are devised with a view of coming within an allotted sum of money rather than of forming part of a general scheme for the improvement of the whole service.

### *Balance Sheets.*

Many Public Services are satisfied with an annual account which is little more than a statement of receipts and expenditure. Such a statement is of small value for ascertaining their real financial position and it is essential that a proper Balance Sheet should be prepared upon commercial lines with a Profit and Loss Account. The Balance Sheet should be in considerable detail, showing the Assets and Liabilities under each head, with explanatory notes. It may be argued that some small services have practically no capital account and that a commercial Balance Sheet is unnecessary. This argument cannot apply to any enterprise whether it be a tramway system or a service for street sweeping or for road arboriculture. A Balance Sheet can always be prepared and if this practice was followed by private persons with respect to their own personal finances, a great deal of wasteful expenditure might be avoided; at all events it would be made apparent instead of being overlooked until too late.

### *Management.*

Granted that a Public Service has the right kind of financial control, an agreed financial policy and a good system of accounting,

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everything may go wrong unless the executive work is carried out in a proper manner and in close co-operation with the general administration. Successful businesses are almost always the result of a sound organisation carried out by the energy and policy of one man, and unless the service of such a man can be procured and retained, there is little hope for the smooth running of any commercial enterprise. It is fortunate that Great Britain provides a large number of men with a genius for management, but the best of them rather hesitate to serve under public bodies. They feel that there is not sufficient scope, that remuneration is inadequate and that there are far too many masters to propitiate. It may be laid down as an axiom that no one works without hope of gain. Some prefer the steady certainty of Public Service, others the uncertainty but larger prospects held out by private undertakings, but in both instances present remuneration and future prospects are the determining factors in getting recruits. The pay and prospects for a managership should therefore be sufficient to attract a man of the best type and his position should be assured by a suitable agreement. The success or otherwise of all undertakings depends upon the work done by a manager and his staff. The general organisation should be arranged by the former and he must be given a great deal of independent power, otherwise his responsibility is curtailed and he cannot be called to account for failure.

### *Incentives.*

Every manager and all staffs require some incentive in order to put forth their best efforts. This incentive may be merely the efficiency of the undertaking but as efficiency is usually judged by financial results, Public Services of a commercial character should be independent financial units and should be encouraged to earn profits. One of the chief forces in promoting efficiency is the establishment of the best possible relations between those who represent the Public Authority and the executive officers of the Service. While undoubtedly the hope of personal profit is important, its influence may be exaggerated and it is by no means the only incentive to the promotion of effort. In most large services the men really responsible for the work seldom participate in any extra profits made out of their skill or special attention to duty. Provided that their positions are assured and that their pay and prospects are satisfactory, they are prepared to identify themselves with the enterprise and to work for its success. To develop this "work motive" as the Americans call it, is to develop one of the most important psychological factors in industry and the greatest manager is the one who can instil this motive into all the members of his staff

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including heads of branches, supervisors, clerks, labourers and menials.

### *"Work Motive."*

A careful study of business organisation in recent years has shown that it is possible to create the "work motive" among all kinds of workers. We have seen these results in the enormous progress made in the fields of Chemistry, Electricity and Engineering by research experts whose financial rewards are slight compared with their achievements and who seem to be actuated by enthusiasm rather than by hope of gain. It is possible to create a similar spirit among the workers of any business and especially of a Public Service in which employment is constant and not subject to market fluctuations. In order to create such a spirit example is better than precept and the example must be set by the supervising staff.

### *Welfare.*

At the same time the workers must be satisfied and care must be taken that not only are their wages sufficient to maintain the standard of comfort of their class but that they work under favourable conditions. The question of housing is a most important one and nothing contributes so much to a person's happiness in life as to have a comfortable home within easy reach of his work. Healthy recreation during leisure hours will generally be provided by any body of workers upon their own initiative if they are given facilities and recreation clubs promote a camaraderie and good feeling which is carried into their everyday duties. We all know what is meant by the "Pride of a Regiment" or the "Pride of a Ship's Company." The same pride can be made to pervade a business under proper leadership, and once that spirit is engendered there is little fear of slackness or discontent in the performance of duties.

### *Remuneration.*

It is sometimes argued that wages in Public Services should be higher than those prevailing in private enterprises for similar classes of workers. When a district wage has been fixed by negotiation for any class of worker, it is entirely wrong that that wage should be exceeded in a Public Service. In the latter, a worker has the great advantage of permanent employment and is also protected by a liberal pension or provident fund, so that in two important respects he is better off than the worker in ordinary private concerns. There are certain kinds of services dealing with sanitation and certain unhealthy occupations which naturally require compensation in the form of higher wages than those prevailing for unskilled labour, but generally speaking the payment of higher wages in Public Services

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leads to discontent and a clamour for increased wages in all trades and is consequently a serious menace to productive industry.

### *Bonuses.*

In private enterprises the grant of bonuses after a successful year's work is one of the incentives for encouraging the staff to put forward their best efforts. In Public Services it is not often possible to grant bonuses, as many of these Services are not run for profit but for the benefit of users, and increased efficiency and increased facilities for users may often result in a decrease of net earnings. What is required in a Public Service is some tangible recognition of good work in the form of promotion and every man should feel that it is possible for him to reach a higher grade by dint of his own efforts. There should therefore be a carefully graded scale of promotion based upon merit which would not debar the lowest paid worker from reaching a high executive appointment if he showed himself really deserving.

As I have already pointed out, the tendency for Public Services to be taken over by public management is steadily increasing and I don't think that, judged by the light of experience, the change has proved detrimental to the interests of the users. The success of extending the socialisation of public utilities must depend not only upon organisation and business management but also upon the mentality of the persons employed. The public servant must regard the public welfare as of first importance even though it may conflict with his own personal interests. Such an attitude of mind among a large body of workers may be an ideal impossible to attain but at all events it is one worth striving for in order to promote the general good.

# Business Management of the Public Services

By Sir J. C. W. REITH

[*Paper to be discussed at Conference on 25th January, 1930*]

I AM invited to explain the constitution of the Broadcasting Company and Corporation and, if possible, to argue whether this type of organisation, or some other one, may fairly be considered to represent the most efficient sort of framework within which to conduct public utility services; also to deal with the subject of public interest in and control over the management of such services, particularly in the matter of the protection of the consumer.

As to the last point, however, I rather feel that it is not a separate heading of the subject but something implicit in the whole conception of public service. I shall not have anything very specific to say about it therefore, but it will, I hope, become clear that under the conditions obtaining in this country, benefit to the consumer is the starting point of the whole problem.

I begin by surveying briefly the conditions under which Broadcasting began in this country at the end of 1922 and continued, with minor adjustments, till the end of 1926. It is a story of how policy and circumstances combined to impose a public service character on to an organisation of definitely commercial form, and how such an organisation—so far as concerns its working, and even its position *vis-à-vis* the individual consumer—was able to pass over into the public service form without break of continuity.

The old Broadcasting Company was a limited liability company, operating under a Licence from the Postmaster-General, which contained various stipulations as to what might and might not be done, emergency powers of the State, &c., limitation of dividends to 7½ per cent., surpluses to be surrendered. There were certain obligations with respect to the erection of stations, and conditions limiting the transmission of news in the interests of the newspapers, but otherwise there was little unusual, and the Company had merely to provide a service “to the reasonable satisfaction of the Postmaster-

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General." Most of the capital was guaranteed by six large companies, each of which nominated a Director; the remaining shareholders were also to be wireless manufacturers and could nominate two additional Directors. The six guarantors nominated the Chairman. The General Manager joined the Board in 1923 as Managing Director.

The Postmaster-General was to hand over half the 10s. annual licence fee which, under existing law, anyone in possession of wireless apparatus was bound to have. Most countries treat wireless communication as a prerogative of the State, and permit private persons to transmit and receive only by way of concession. Apart from America, where Broadcasting was so unrestricted as to serve as an "awful warning" here, there is, I think, only one State, the U.S.S.R., in which "the right to listen" is explicitly established by law. Besides this 5s. per licensee there was a variable royalty on sales payable to the Company by manufacturers. Further, only sets made by shareholders were authorised for licence.

It will be observed that although the State safeguarded its administrative position thoroughly, there was only a very slight measure of public control (in the sense of consumer protection) and practically complete commercial freedom. It was a constitution only explicable by the fact that Broadcasting was too new and too much associated with more or less trivial entertainment for its importance as a national Service to be appreciated. Listeners were almost entirely in the hands of the Company, for which they provided the funds. This was more or less inevitable, but the Company itself might be said to have been in the hands of the wireless trade. Only a breach of Licence could have called forth any action from the Postmaster-General, and this was highly improbable. The programmes might have been very poor, and yet who could have proved that they were not "reasonably satisfactory"? It is true that the decision on the point lay with the Postmaster-General and that in case of dispute the onus of proving that the service was satisfactory would have been with the Company, but the very phrase was incapable of exact and indisputable definition. Any state of things in which in practice the Postmaster-General could have exercised this right would have brought its own punishment in the form of commercial failure. In any conditions short of that, his powers were illusory. For if the programmes became too trivial for him he could not really insist on the Company's losing its own money by sacrificing popularity, in the quantitative sense of the word. If they were too little popular his only remedy would have been to hand over the supply of programmes to the entertainment industry, which would have been replacing one commercial interest by another.

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All manner of troubles came upon the new concern before it was properly under way, even with a two-year licence. Some were due to the apprehensions of vested interests in presence of the obvious potentialities of the Company. Every sort of charge was made against it, including that it had been established in an underhand way, and that it was, in fact, a "ramp." One was not altogether surprised. A Committee was appointed by the Government within a few months of registration, but the Committee's decisions astounded and grieved those who had been responsible for the inquiry. The Company was absolved from every charge levelled against it, and its Licence was extended for two years, that is to the end of 1926. The licensing regulations were simplified. They needed it; the old ones were quite unworkable. Owing to the immense accession of licence revenue which ensued, the Company voluntarily surrendered its claim on royalties. This was a great loss financially but an immense benefit in every other way to the Company, and of course to the public and the radio trade.

It should be made clear that the evils and prejudices inherent in a constitution of the type under which Broadcasting was first launched did not materialise. The constitution on paper was wrong; in practice it worked excellently. In no instance were the interests of the public or the interests of Broadcasting in general perverted to hypothetical interests of the wireless trade. Never was a decision made which did not have regard primarily to the interests of Broadcasting; that is the same as saying the interests of the public. Naturally the new trade was entitled to receive, and did receive, the fullest consideration. The interests of each were, in fact, made reconcilable. Even under its anomalous and, as some said iniquitous, constitution, Broadcasting was administered as a public service from first to last under the Company.

Another point must be made clear. Great credit is due to those, the Postmaster-General and others, who were responsible for its establishment. To them, in particular in their insistence on unified, central control is largely due the success which has attended the exploitation of Broadcasting in this country. They were under severe pressure to permit the establishment of a number of competing concerns. They worked systematically for one, and in the end got it. Credit is also due to the leading manufacturers who eventually sunk their differences and trade rivalries to meet the wishes of the Postmaster-General, and in abundant degree to the trade members of the first Board of Directors.

The working of this constitution deserves consideration here because it is of a type which is still used for public and quasi-public services. It may be successful and it may not. It may

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be inevitable in circumstances where State funds for launching or purchase are not available. But does anyone really like it? Obligations to expectant shareholders, obligations whether met directly by dividends or indirectly by increased business in other ways, are often quite incompatible with obligations to the public and to the Service itself. If the obligations are not incompatible, they are almost certainly mutually embarrassing. Here we might have had the most acute differences of opinion, particularly in a new line of activity with rapidly and repeatedly changing processes and procedure.

Under this constitution Broadcasting did, in fact, prosper exceedingly; it definitely established itself and secured the goodwill of the country in general. But things might have been very different, and in any event, it had to encounter many oppositions and obstructions, misunderstandings and misinterpretations, a product not of what was being done or intended to be done, but of what might be done and presumed to be intended under such a constitution.

Accordingly no one was surprised when a second Committee was established in 1925 to deal with the question of the constitution to be adopted when the Company's Licence should expire at the end of 1926. Principally owing to the findings of this Committee we have to-day a Corporation established by Royal Charter, and, supplementary to the Charter, a Licence from the Postmaster-General. Why still the Postmaster-General?—simply because he happens to be that member of the Government whose responsibilities are thought to touch Broadcasting most nearly. He controls the carrier waves in the ether, so he is charged with the responsibility for what those waves carry—to such extent, that is, as is laid down in the Charter and Licence. The Postmaster-General has stated in Parliament that he is responsible for questions of general policy but not for questions of detail and particular points of the Service. In most other countries also it is the Minister of Posts, Telegraphs and Telephones who is charged with the supervision (general as well as technical) of Broadcasting. There are exceptions; for instance in the new French draft law there is a board nominated by various government departments and this is responsible to the Prime Minister direct.

The change which took place on 1st January, 1927, was constitutional. The administrative system and the policies were unaltered. This was the earnest recommendation of the second Committee. The fundamental principle of public service, deliberately adopted under the old constitution, and the determination with which it was prosecuted, decided the change which came. Under the old system, Broadcasting had grown to be a force of the first magnitude. That it should be defined merely as a vehicle of entertainment had never been accepted here. Conscious social purposes had been given to the

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exploitation of the new medium, without, however, overlooking the importance of good, healthy, and satisfying entertainment. The stewardship had been interpreted as carrying the responsibility of contributing constantly and cumulatively to the intellectual and moral well-being of the community. A fresh tradition of public service had been founded. A new national asset had been created. It happened to be very definitely of the kind which brings credit entries in the books of the Exchequer, but it was of another sort as well.

Financially the State benefited by the Company in many ways. It retained a considerable sum from licence fees of which only £1,786,000 was paid over to the Company out of collections amounting to £2,925,000; from income tax on the annual surplus carried forward for development; from extensive and regular hire of telephone lines at ordinary rates for the " simultaneous broadcast" network; and above all from the transfer to it on 31st December, 1926, of the whole privately capitalised undertaking without cost. The value of assets transferred appears at £174,938, but they cost £334,788 and were acquired wholly out of revenue (capital having been repaid at par). These were the least valuable of the assets. There was a revenue-earning capacity of 2,178,000 licences in force; a publishing activity with potential earning capacity of at least £100,000 a year (capitalise those and see what you get); an organisation specially evolved; an expert staff; a new public service.

The purpose and scope of the Corporation are given in the preamble of the Charter. It is granted in order that the Broadcasting Service should be conducted " by a public corporation acting as Trustees for the national interest." In view of the " widespread interest " taken in, and the " great value " of, the service " as a means of education and entertainment," it is " deemed desirable that the service should be developed and exploited to the best advantage and in the national interest." The Corporation is therefore given the power to " do all matters and things incidental or pertaining to a body corporate," but " the Corporation shall apply the whole of its surplus revenue (if any) and other income solely in promoting its objects." The term is ten years from 1st January, 1927, provision being made for extending it.

The Corporation can acquire and deal with all kinds of property and assets necessary, but not real property outside its area; and borrowing powers are limited to £500,000 at any one time. The Corporation is specifically empowered to prepare, print and publish papers, magazines, periodicals, books, circulars, and other literary matter; to collect news and to establish and subscribe to News Agencies; and to acquire and deal with copyrights, patents, &c. It

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may enter into arrangements with Governments and authorities, supreme or local (subject to the Postmaster-General's permission in the case of Foreign and Dominion Governments). Permission to establish and support trusts, funds, &c., for the benefit of the staff and to subscribe to charities and benevolent objects is given. There are five Governors, appointed for a term of five years. The first Director-General is also nominated in the Charter.

The Corporation is required to give the Postmaster-General an annual General Report and Statement of Accounts duly audited and certified. He is entitled to have the accounts examined. If it appears to him that the provisions of the Charter are not being carried out, and if the Corporation fails to do so within a specified period, he may certify this to the Crown, when the Charter may be revoked. On voluntary or compulsory dissolution, the property and assets are to be applied in satisfaction of their liabilities, and thereafter as he may direct.

The Licence and Agreement from the Postmaster-General under which the Corporation operates is naturally in many respects parallel to the Charter. It is for the same term; it gives the necessary permissions to carry out the objects of the Charter in so far as they deal with actual transmission and reception; and it may be revoked in the same circumstances as the Charter; it may not be assigned or transferred.

Amongst the conditions governing actual broadcasting are that the Corporation is to broadcast matter every day (including Sundays) during the hours specified from time to time by the Postmaster-General; but he has never required to specify hours. The Corporation is to broadcast, at its own expense, anything which any Government Department may require; but no improper advantage has been taken of this clause, and I imagine the Corporation would not be forced to broadcast contentious matter against its own judgment. At any rate it has never happened. It must refrain from broadcasting any matter (either particular or general) if required to do so by the Postmaster-General. All officers of the Corporation must be British subjects, and provision is made for the taking over of control of the service by the Government, without compensation, in an emergency.

There are various technical provisions as to wavelengths, height of aerials, and so forth, and the Postmaster-General has the right to inspect the stations. Other clauses are designed to prevent broadcast interference with Army, Navy and Government aircraft signalling, with wireless telegraph stations on ships or on shore, and with telegraph and telephone lines. If interference takes place with any other form of signalling, the Corporation may be required to close down the station responsible.

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Here we meet the principle, now obsolescent, but still embodied in the Licence, according to which almost every other sort of wireless transmission enjoys priority over Broadcasting as regards security from technical interferences. This is, of course, a relic of the days when broadcasting was looked upon as a toy. Since the Licence was drawn up, the International Radio-telegraphic Convention of 1927 has recognised the *fait accompli*, and radiodiffusion—to use the official international term—enjoys specified rights. It is probable even that these rights will be further extended on the next revision of the Convention in 1932. It may be presumed therefore that the Cinderella among ether users will presently come into her own.

There are provisions, the exercise of which would be not only unfair but even incredible. The Postmaster-General may if he choose decline to take action to enforce the licensing regulations, and can abolish or reduce the listener's licence fee. In some respects the Corporation's Licence from the Postmaster-General is distinctly a one-way document. This is the natural outcome, on paper, of the statutory principle that the right to transmit wireless signals is a State prerogative, and is only exercised by other parties in the capacity of concessionnaires. Whether this is strictly applicable to an offshoot of the State itself is, fortunately, rather an academic question. For in practice relations with the Post Office have been very satisfactory, and both Company and Corporation have met with sympathy, encouragement and support.

The financial provisions deserve attention. I have never thought them quite fair in principle. Of the 10s. subscribed by the listener only 7s. is at present used for the purpose which he certainly has in mind, as only that amount reaches the B.B.C. Twelve and a-half per cent. is immediately deducted by the Post Office in return for administering the licensing system. Of the balance, 10 per cent. on the first million licences the Treasury retains, 20 per cent. on the second, 30 per cent. on the third, 40 per cent. on the fourth. Moreover, the 7s. is not immediately payable to the B.B.C. The Corporation's income for any year to March is based on the number of licence issues at the end of the previous year, and even so is only handed over monthly. The benefit of increases in licence issues accrues to the Corporation in arrear, and in instalments at that. It might have been expected that some sort of provision would have been made for capital development, but there is none. The Corporation might, however, apply for better income terms after 1st January, 1929.

The Company, being in form practically commercial, was not unnaturally limited to the use of a proportion of licence income for revenue purposes, and had no control over licence income generally, and in particular over funds representing the unexpired period.

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When the constitution was altered to the public form, the financial provisions might have changed accordingly. It was known by 1926 that the line of development must be high-power stations of heavy capital cost. While income derived from the services is retained by the Treasury, capital can only be raised by public borrowing against assets, and these assets are certainly not good commercial security. Had the Corporation been empowered to receive and administer the net licence income after deducting Post Office costs, additional reserves by the end of 1928 would have totalled over £1,000,000. As it is, the Treasury receives the net licence income and pays out the limited proportion deemed sufficient for revenue expenditure only, leaving profits on commercial activities—to wit, publications—as the only source of any capital reserve. As large borrowing for essential capital development has to be arranged, the benefit to listeners of increased income from licences will correspondingly be curtailed by funding and interest charges.

Such in outline is the constitutional development of this form of public service to date. I do not propose to say anything about its division into branches and departments as that is not necessarily relevant to major principles. I shall pass now to such generalisations as this experience has suggested.

To begin with, I uphold the monopoly system, subject naturally to certain safeguards in the public interest. In some circumstances it is essential; in others at least highly desirable; its absence is often unfortunate and even disastrous. There are reasons negative and positive as there are in most arguments. Unified, central control, if it be absolute enough, should ensure concentration and preservation of effort and the most economic administration. It should, in fact, imply and supply the highest degree of efficiency in every sense of the term. One hears a good deal that is absurd about the benefits of competition as a stimulus to effort. Some advantages of competition are obvious; at least equally obvious, and in my view, much more so, are its disadvantages in waste, undercutting and overbidding. The stimulus of competition is by no means the most sure, the most enduring or the most productive. There are other forms of stimulus, many and greater, which bear heavily upon the monopolist. The very fact of monopoly is a stimulus, or at any rate it is so to the right kind of people.

It might be thought that B.B.C. problems in this respect are special to Broadcasting, and inapplicable to other public utilities. Up to a point this is so, but only up to a point. As I have already remarked, there was a policy of idealism even under the old commercially-constituted régime. This meant that the long view was not necessarily coincident at any given time or in any

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given mood with the popular view. One rather hesitates to use the word "idealism" as it is so often subjected to ridicule and contempt. But I am as certain as of anything that to set out to "give the public what it wants" as the saying is, is a dangerous and fallacious policy, involving almost always an under-estimate of the public's intelligence and a continual lowering of standards. Thus, paradoxically, it turns out to be not the monopoly system but the competitive system that is obliged to play for safety. On the contrary it is not insistent autocracy but wisdom that suggests the policy of prosecuting carefully and persistently a basis of giving people what you believe they should like and will come to like, granting of course discretion and human understanding on the part of those who carry out the policy—and resolution. Now what is there in this statement of B.B.C. policy that *mutatis mutandis* (in other words, varying the executive detail) is not more or less applicable to many other branches of public-service activity?

One of your 1926 speakers stated that it had long been recognised by Parliament that the doctrine of competition as the means of securing the best and cheapest service for the community was only sound up to a point. In recent years, he added, economists had come to the view that the waste which unlimited competition involved should be abolished, and that a monopoly subject to proper safeguards was to be preferred. Another remarked that if the experience of the Port of London were taken as a guide he would set aside any form of control based upon competition, upon unchecked private monopolies, or upon a Port Authority constituted as the present body was. He hoped that a halt might be called to any development in the direction of what might be called State or Municipal trading, and that a trial might be given to public enterprise with public interests adequately safeguarded. To private monopolies, unchecked as this speaker called them or checked, I have alluded in passing already. I do not think they can be defended on any absolute basis. Relatively, and for financial reasons, some may be inevitable, but they are unhappy. If it is impossible to serve God and Mammon it is at least difficult and vexatious to serve public and shareholders together. Moreover, the checking or control by the State must be conditioned, both these normally conflicting interests in mind, and one or other usually suffers.

I submit that the desiderata set forth by Sir Henry Bunbury in a summary of the discussion on control and management of public utility services at the 1926 Conference of your Institute are actually and fully comprehended by a constitution such as that under which the B.B.C. now operates. He gave them as follows:—Freedom from political interference in the management as distinct from general

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policy; disinterestedness; expertness, an area of operation which is economically the right area. For my part, I would add two more, namely, equitable and adequate financial arrangements, and of course monopoly.

There is considerable interaction between these essentials—for instance, between monopoly and a rightly chosen area for its operation, between expertness and freedom from political interference, and again between expertness and disinterestedness. We are familiar with the definition of an engineer as a man who could do for a shilling what anyone else could do for a pound; and with the more modern rejoinder that an engineer was a man who could do for a pound what everyone else thought he could do for a shilling. In such conditions as this rejoinder indicated, the administrator's task would be impossible without an exact appreciation both of the expertness and of the disinterestedness behind a proposal.

It is best perhaps to take these points one by one, and to comment on them in the light of B.B.C. experience.

First as to the political and the managerial aspects:—Sir Henry Bunbury called attention to a general tendency, since the period of economic reconstruction began, to divorce utility services from national budgets. He remarked that it might appear that the speakers failed to recognise the place of the elected representative (Member of Parliament or Councillor) in the scheme of administration, and to suggest a desire to exclude the politician altogether, but that that was not their intention. I wonder if Sir Henry was not deliberately refraining from too deep an analysis of the human heart—the Civil Service one included. He admitted that the proper place of the elected representative in the management of publicly owned utilities was not easy to define, nor could be so long as the possession by that representative of the qualities which make the successful administrator was and must remain so much a matter of chance. But, he added, this did not imply the wish to see ultimate control of such services removed from the hands of the elected representatives of the people, though there were those who hold that view. The general opinion of the Conference amounted, he said, to a recognition of the need for definition of the spheres of activity of representatives and officials, and for organisation of the administration accordingly.

With all respect I find this somewhat indefinite and even inconsistent; and he agreed that there was no particular significance in the telephones of one political party or the tramways of another, although their fiscal or educational policies would certainly differ materially. Quoting one of the speakers again, it was stated that, failing the maintenance of interest of the highest class of city trader in the Port of London, representation of the trade element might be liable to fall

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into the hands of second or third rate traders, who would exploit the Port for their own benefit by a policy of log-rolling, not at all impossible under the existing constitution of the Authority. No indeed, we may here remark, and who has not witnessed it, and been subjected to it, and even in some cases made unwilling party to it in this and that circumstance and body? Again the same speaker referred to the pressure so often brought to bear on local public bodies to increase expenditure on extensions, on their own offices, and on bureaucratic detail. All this, he maintained, should be absent and the administration not tainted by that most wasteful form of public extravagance—the making of work for the sake of making employment. The local Councillor is not elected for competence in organising, said another contributor. He might be quite good in the quasi-legislative function of framing bye-laws, but quite fatuous in the industrial function of organising a tramway service. Constituents, the next election, the seat, votes.

It would be difficult to exaggerate the importance of freedom from political interference in management as distinct from policy. We must include in the term "political," interference by elected representation of any kind. I consider it most undesirable to have elected representation on the governing body of the organisation to which the conduct of a public service is committed. Elected representatives in some form or another should certainly be able to control policy, but only policy in a wide sense of the term. It is difficult to see how that control can be otherwise than pretty remote. Parliament, or whatever the elected body be, must be consulted about the type of constitution and the organisation. They must be consulted with respect to the terms of reference given the new body. It will have limitations and obligations of one kind and another put upon it. It will be accountable at regular intervals to the body which created it. By the very fact that elected representatives have been responsible for its establishment, so we have a continuing public control throughout the conduct of affairs. But that control should only be felt when the body is not carrying out its obligations, or has gone beyond its power, or has been guilty in some way or another of offending the letter, or even the spirit, of the constitution which was duly considered and agreed. These remarks apply irrespective of the manner in which the organisation has been constituted, whether by Royal Charter, as a result of departmental action, by special legislation, provisional or special orders.

All this, I admit, sounds negative, and it is necessary, therefore, to add that the point under discussion is not so much pressure from above *on* the management as interference *in* the management. To

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take a mechanical analogy, if compressed air acts upon a free surface of liquid with a view to causing the latter to move, there is a considerable loss of energy by frothing at the surface; hence the interposition of a floating piston. This floating piston seems to be a necessary element in the administrative machine, and I would go further and say that it should possess a certain inertia of its own, and that it should not respond too readily to slight variations of external pressure. The point of my argument is that this pressure from the elective control element should be perfectly even and general, and not spasmodic and local. If this condition be secured, then only important failures or inadequacies in the machine itself will by reaction set up disturbances in the source of energy, and in that case it is desirable that this should happen, for the case for the intervention of the higher control has arisen.

One of the dangers to which public-service working is specially exposed is misinterpretation of the word efficiency. The absence of profit-making stimulus and bankruptcy risk sets up a presupposition in the minds of those outside the machinery, which includes those exercising the remote control, that unless they personally see to it efficiency will not be maintained. But surely it ought to be axiomatic that in matters of internal administration, day to day policy and general conduct of the service, public control and interference are highly inadvisable and frequently disastrous.

The public control should certainly be able to feel that the service is being administered efficiently, but it is not easy from a viewpoint outside to set up a proper criterion of efficiency, or to know what is best to do if the degree of efficiency is not up to that criterion, except in the extreme case of a situation in which the executant organisation has become manifestly inadequate under any standard.

The misunderstanding of the word efficiency, especially by an outside body which is proverbially supposed to have no soul, presents another possibility of danger, the ignoring of the human element in the machinery. This was grossly neglected in the earlier days of industrial development and perhaps some may think it is looming too large now. There must be justice, but there must not be laxity—a fair day's work for a fair day's pay as well as the opposite. An important business should not be handicapped by inefficiency of staff, for whatever reason that may be. But there must be fairness, consideration and sympathy in high degree. These are essential from every point of view.

So far I have been speaking principally of the relations between the machine and its ultimate source of power, viz., the authority which endows it with its constitution, fixes its functions and relations. But

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what I have called the floating piston, the element intermediate between the source of power and the working parts, is perhaps of still greater importance from the point of view of administrative science which concerns us here.

Let me make this observation—in this country, far too much importance is sometimes attached to bodies and far too little to men. The constitution of the bodies to which the administration of a public utility service is to be intrusted is of vital importance, but of more importance still in my opinion is the man, or men, who are to do the actual work. In such an organisation as I have indicated, we presumably have a Chairman and Commissioners or Governors; also a responsible and important Chief Executive. In this country, unlike America, the relative responsibilities of the Chairman of the Board and the first executive, both in commercial companies and in public corporations, are frequently indefinite, and the resulting situation may be unsatisfactory. I submit that it is one of the first principles of good administration that this problem should be thought out and that all should know where they are. If we think there should be a full-time Chairman and a working Board, then let us have that, but let the Board be very small. Or again, we may think there should be a full-time Chairman with trustee-like part-time colleagues. In either of these cases the Chief Executive has less responsibility for, or control over, policy, but in general carries out instructions and keeps the organisation running. This may be quite satisfactory, and is, in effect what happens in commercial life when the positions of Chairman and Managing Director are held by the same man. On the other hand, if we prefer the type of organisation in which the Chief Executive is the mainspring of the administration, then let his sphere of authority be comprehensive and clearly defined, and let the Chairman and the Board assume the definite character such as that of trustees, with a limited and defined sphere of authority but charged to be vigilant and safeguard the interests of the public and the responsibilities which are entailed in the constitution.

Coming now to the second and third of Sir Henry Bunbury's desiderata—disinterestedness and expertness, the first of these is implicit in the idea of the non-profitmaking public corporation, and need not be further discussed. But there is one point of interest in the case of the B.B.C. to which I may allude in passing. In several foreign broadcasting organisations the Board, especially when it has the trustee character, has been chosen from amongst persons of standing in the various professions and occupations—and they are many—which are interested in broadcasting. The 1926 Committee here deliberately and wisely took the opposite view and Governors were selected on the basis of not being identified with particular

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aspects of broadcasting work. Of course, broadcasting touches so many sides of social life—music, drama, light entertainment, news, education, religion, politics, hygiene and what not—that people competent to be Governors must necessarily have given service to the public in definite directions. The point is, that a musician, for example, might be nominated, but he would not be nominated as a musician but as a person with a broad cultural background and mature judgment in cultural things. He would be the kind of man that a lifelong devotion to music, and not simply to the interests of musicians, had educated into fitness for the position of a trustee of national culture. It may be said, and it is more or less true, that ordinarily a public utility service would not comprise anything like so many different specialities in its field. But I think the principle would hold good for almost any of them, assuming of course that the organisation in question is of the trustee-plus-chief-executive type, and not of the chairman-manager type, namely, that the trustees should possess as general a qualification and as little special attachment as the nature of the service will admit.

Walter Bagehot said long ago that businesses, like mountains, are very much alike at the top, and that it is only the lower slopes that are so richly varied; but he did not say how high up the mountain side this varied vegetation of expertness should grow, and it is perhaps impossible to suggest any general principle. The crucial point is the position of the Chief Executive. If the constitution be such that he has large powers, subject only to a trustee supervision, then I think it is clear that he should be a general man and not an expert. If on the other hand, the Chairman is the mainspring, then the Chief Executive may well be a specialist. So far, so clear, but in this country we are involved in a system of compromises between private monopolies and public corporations and between the latter and branches of the State. We are also not without compromise in the matter of relations between Chairman and Chief Executive. And it is perhaps in the administrative system itself, as a whole, namely, in the structure and consequent functioning of the Civil Service that we have the compromise idea most widely spread up and down and laterally. This is not a criticism of the personnel of the Civil Service. We all know their high individual ability and their generally successful conduct of affairs of State, but the whole system under which they are trained and operate is not conducive to efficiency in the conduct of public utility services. I should like to see many of the activities now carried on by Government Departments brought away from the Civil Service, and still more from direct Parliamentary influence. I consider a body, constituted much as the Broadcasting Corporation, to be suitable for the conduct of public

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services such as posts, telegraphs and telephones, pensions and insurance, power, transport and mines.

As to finance, I have already discussed the position of the B.B.C., and here I need hardly suggest that a public service, whatever the relation between its capital and income, on the one side, and its development and maintenance schemes on the other, is in a better position under a Corporation or some analogous régime than under that of private concessionnaires, or under the direct management of State authorities. For whenever its resources turn out to be too great for its needs, those resources are reclaimable for the benefit of the community, and whenever they are too small, it has a moral claim upon the community to have them augmented in a way that no concessionnaire could claim. On the other hand, as against State management, it possesses a great deal, if not all, of the flexibility and adjustment powers of a self-contained business.

Lastly, as to area. The B.B.C. is unlike many European broadcasting organisations in that it is self-contained. In most cases where the conduct of programmes is in the hands of a State, or State-appointed body, the engineering branch is in the hands of the Post Office. Or both may be in private hands—but this régime is rapidly dying out and may be said to survive only as a concession to vested interests. In Ireland the whole is directly run by the State. I can only say that the British system of self-containedness under a State-appointed controlling body tends to be copied more and more. No area less than that of the nation is really and truly a good unit for broadcasting. I am not suggesting that this would hold good of any and every public utility, but I do suggest that it should be the exception, rather than the rule, for any field less than the national field to be taken as the unit.

And so, with administrative efficiency and public safeguards both provided for, we really come down to defining monopoly—that much abused expression—as the sole and completely inclusive management of the utility within the economically right area.

# Business Management of the Public Services

By C. E. R. SHERRINGTON

[*Paper to be discussed at Conference on 25th January, 1930*]

## I

WHEN the Institute of Public Administration honoured me by an invitation to read a paper on "The Business Management of the Public Services" some doubt crossed my mind as to the interpretation to be given to the term "Public Services." Certainly education as well as the collection of house refuse should legitimately be classed as public services, but I have been advised that it will not be out of place if the term "Public Services" in this case be regarded in the somewhat narrower sense of public utility services.

Keeping in mind this interpretation, it would seem advisable to define as briefly as possible the term "public utility services," and my task in that direction was made easier in that Mr. R. G. Hawtrey, when dealing with the finance of such utilities in a paper he read before your Institute in 1926, has supplied a very concise definition, which a search through many text-books on economics has failed to better. He suggested that "a public utility may be defined as a service in which a tendency to a local monopoly necessitates the intervention of a public authority to defend the interests of the consumer." It may be added that the tendency to monopoly in such cases is due primarily to one characteristic which is evident in nearly all public utility services, namely, the necessity for expenditure of large amounts of capital, which in nearly every case are fixed, irrecoverable and immutable for other purposes if the public utility service ceases to function. Such heavy capital expenditure leads directly to a situation in which overhead, or fixed, costs form a large percentage of the total annual revenue expenditure.

Hence, in the railway industry, with which form of public utility service experience has brought me closely into touch, fixed costs, that is to say, those not varying directly with the traffic handled, form over 70 per cent. of the annual expenditure. Under such circumstances heavy capital expenditure of an irrecoverable nature

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will not be forthcoming, except at inordinately high rates of interest, unless a measure of protection against competition is granted which, in turn, calls for a large element of public regulation of charges, if the consumer is to be protected from the consequences of monopoly. It may be stressed here, in parenthesis, that a large group of public utility services may be classed under the general heading of transportation. Such term is here taken to include the supply of gas, water, electric light and power, as well as the movement of passengers and freight by rail and other means. As it is understood that the postal service, which covers the transport of news, is being dealt with in another paper to be discussed at this Conference, no analysis of that particular service is included in this paper, and the same applies to broadcasting.

Turning to the question of defining business management, one is faced by greater difficulties, and it is not easy for an economist to avoid being led into the abstract theories of taxation. It is hoped, however, that the assumption may be made that business management be taken as that form of management which is successful in preventing a loss on operation being made good by that easy, but dangerous, method of relying upon the willing, or unwilling, assistance of the local or national taxpayer. Doubtless the margin may be very difficult to determine between certain services which are enjoyed equally by all residents in a locality, or a nation, and those which are utilised by a certain percentage. In the former case, taxation may be regarded as legitimate, in that the incidence of cost falls upon the user, whilst in the latter case, the user, since he is not *tout le monde* should be required to pay his or her share of the expense of the services which are enjoyed.

The subject of this paper is then limited in its scope to a study of the methods which may be employed to ensure that those who enjoy the services rendered by public utility organisations should pay the cost of such services. Even in this somewhat narrowed form, the extent of the subject to be covered in comparatively few words is sufficiently alarming. Before proceeding to a study of the public interest, and survey of the types of organisation which have grown up to obtain those most desirable results, attention should be given to an explanation of the term "cost," since so much depends upon its interpretation. If the "cost" of service is to be obtained from the users of that service, "cost" should be regarded in its wider sense.

Every public utility has within its expense account direct costs, covering labour and materials; and indirect costs covering superintendence, insurance and depreciation or renewal funds. But there is also a fair return on capital properly expended, and in certain

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cases there is the amortisation of that capital over a long period of years. For the purpose of this paper it is proposed to regard cost as exclusive of this last item, since it is felt that, if adequate depreciation, reserve and renewal funds are built up, it should not be necessary to provide for the amortisation of capital in any industry of a permanent nature which is giving evidence of growth, vitality and progress.

### II

#### THE PUBLIC INTEREST AND PROTECTION OF THE CONSUMER

Under free conditions of supply and demand it used to be considered unnecessary for any government to have to arrange protection for the consumer, but the granting of monopoly, or semi-monopoly, conditions inevitably resulted in measures being taken to regulate the charges made by the monopoly. Thus, in the Act of the London and Birmingham Railway, the company was empowered to charge two pence per mile for a passenger, and one halfpenny per mile for a calf or pig. There can be no question that throughout the nineteenth century railways were monopolies as regards the localities through which they passed, although admittedly alternative railway routes made many long distance services competitive, and in this country they were largely competitive with coastwise transport. In the case of gas, water and electric supply public utilities, monopoly was even more complete, but with regard to gas, competition of electric power, first for lighting purposes and later for heating and cooking, has brought about a semi-monopoly condition. In Great Britain, however, stabilisation has temporarily been achieved along the somewhat indefinite lines of gas for heating and cooking and electricity for lighting and supplementary heating and refrigeration. On the one side, water supply is likely to remain more absolutely monopolistic in nature than any other public utility service, whereas the opposite extreme is represented by the tramway systems, which, fettered by regulations as to the repair of the road areas they occupy, and the amortisation of capital if they are municipally owned, suffer in these hey-days of the elastic transport unit through the practically unregulated competition of the motor omnibus and the private car.

It is difficult indeed to discern the future of tramway undertakings in this country; with the continued growth in size of omnibuses so that they now seat eighty passengers, the advantage of the tram as a peak load vehicle is steadily decreasing, for few trams provide more than seventy-five seats. Admittedly, the abolition of tramway systems will tend to raise the cost of electric power and light units

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to other users, unless an alternative demand can be induced. While the trackless trolley system may put off the evil day for some years in many instances, the replacement of the tram by omnibus service is steadily extending from the smaller towns to routes in large cities. Whereas the tramway has entirely lost its monopolistic nature, the railway, as such, is in an almost equally difficult situation with regard to passenger traffic.

It is curious that in the United States, the country of long hauls so far as transport operations are concerned, railway passenger traffic should have decreased to a more serious degree than in any other important industrial country. From a high total of 1,234 million passenger journeys in 1920 the figure fell to 790 million in 1928, and when the 1929 figures are available a serious further fall will have to be recorded. In Great Britain, with the short average haul per passenger of thirteen miles, it is a matter for surprise that passenger traffic has not fallen to a much greater extent than has actually been the case. One must recognise that, while passenger revenue in recent years has fallen steadily and to an alarming degree, the number of passenger journeys has in recent months steadily increased. Thus, in the case of one large British railway, although passenger traffic receipts fell off by roughly £250,000, no less than one and a half million more passengers were carried over a nine-month period. Light is thrown on the futility of regulation of charges under competitive conditions when it is realised that in 1928, with first-class fares nominally fixed at 2.5 pence per mile, and third-class fares at 1.5 per mile, the actual receipts per mile for all classes were only 0.8 pence. It is frequently asserted that such a situation affords proof that the standard fares, that is maxima fares, are too high and should be reduced. Such an argument, if applied to other commodities for sale, proves its own futility. The price of fish, even if divided into cod and herring, cannot be fixed, it must depend upon unregulatable conditions which are clothed in international conventions under the term of *force majeure*, which presumably would cover storms at sea. As fish can be bought cheaply on a Saturday night, so rail transport can be bought cheaply after ten o'clock in the morning from the suburbs of London, and citizens of London have been known to indulge in competitions as to who could cover the greatest mileage within the allotted hours, by acquiring a midday tramway ticket for two pence from the London County Council.

Other examples of this situation are to be found in the gas and electric power industries, whose power is supplied at lower charges when taken during certain hours of the day, or in bulk quantities; as a result toasting and ironing in the home are used as an aid to covering the overhead charges. Fundamentally, it is this problem of

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a high percentage of overhead which induces the public utility to resort to the profitable, and intensely interesting, mental exercise of estimating the various demand curves, which are known to be capable of formation, and constructing supply curves to superimpose upon them. Yet, although overhead charges are the prime cause of this policy, its importance becomes accentuated by conditions of competition, where some of the most valuable traffic is liable to be lost and every effort has to be made to increase revenue in other directions, so as to offset the losses thereby sustained.

Regarding the public interest as that of the consumer, an assumption which it is probably quite reasonable to make, it would seem that the loss of the monopoly characteristic in the economic function of the railway, the tramway, the gas and electric light supply organisations, has contributed to the betterment of the consumer, in that energy has been expended in improving the quality of the service, and initiative has had to be encouraged if adequate revenue was to be retained. But it is well known that economic and social results vary in their incidence according to whether one judges them over a long or short period of time. As current Government expenditure financed by loans in place of taxation may prove very acceptable to the present taxpayer, in the long run the taxpayer *coeteris paribus* stands to lose, so competition in the sale of transport facilities may prove very acceptable for a short period of time, though its long period results may be very undesirable.

In the case of London traffic, the congestion caused by a surplus of public service vehicles may bring an undesirable social loss, even as a short period trend, as well as preventing a growth of long awaited facilities over a longer period, by reason of the lack of expected return upon heavy capital expenditure under existing competitive conditions. Even if road capacity, measured either by area or by the fluidity of movement, cannot keep pace with demand upon it, there would seem to be a case for the restriction of privately owned vehicles, which offer fewer seat hours per square foot of road surface, and horse drawn freight vehicles, rather than the limitation of public service vehicles which provide an upper storey.

One may, perhaps, be permitted to draw attention to the curious situation which now exists, whereby protection during recent years has been granted primarily to the producer rather than to the consumer. This is all the more remarkable in view of the fact that the producer is usually comparatively well organised when compared with the consumer, that is to say, the general public. May it not be that this latter organisation has been powerful enough, not only to bring about this situation, but also to persuade public opinion that it is to the advantage of the public weal that the producer should be

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protected? How else can one explain the expressed desire of the unorganised general public that industries even be assisted to rationalise, to amalgamate and to be protected from the competition of their kind? Even if it be accepted that public utility services are in many cases only semi-monopolistic to-day, it is clear that, in so far as they remain monopolistic, their activities and the services they render, must be regulated by local or national authority, so as to yield the maximum social benefit. Regulation, therefore, must exercise its influence on the price and quality of the product, yet the real crux of this whole problem lies in the determination of the degree to which such regulation must be carried. The balance is as delicate as finding the exact point at which a car on the giant racer at Wembley, if its brakes be released, will neither run back down the slope behind it nor plunge forward down the steeper gradient it faces. If regulation be not carried sufficiently far, the individual will not be adequately protected as to the value of his product, if carried too far, the public utility stands to lose that power of initiative and spur to progress which the urge to increased profits is normally recognised to induce. Public interest in public utility services is then dependent mainly upon two forces, firstly the adequate regulation of price and quality of the product by a public body, and secondly, the retention of continual efficiency by the internal management of the public utility itself. There are many, amongst whom the author may be counted, who believe that neither of these ideals can be achieved in their most desirable degree if political, as opposed to economic, influences be allowed to affect the policies of internal development or outward growth. The next section of this paper, therefore, consists of a critical examination of the various types of organisation which have been evolved to obtain the desiderata above outlined.

### III

#### MANAGEMENT ORGANISATION OF PUBLIC UTILITIES

It is proposed in this section of the paper to attempt a brief survey of the organisation of public utility management in various countries. Since the bulk of public utilities are of a transport nature, the survey will be almost exclusively confined to railways, tramways and port authorities. To encompass such a survey in comparatively few words a series of examples have been selected, as variable as possible, from which certain conclusions will be drawn in the final section of this paper.

Great Britain and the United States offer the most important examples of company owned and operated railways, although many other cases can be quoted, such as the Canadian Pacific and the com-

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pany owned and operated lines in Argentina. The structure of organisation is too familiar to warrant any detailed description, but may be said to base itself upon the selection by the shareholders of a directing board, which in turn appoints the management to conduct routine operations, to formulate policies which have to pass examination by the board, and to devote their whole time exclusively to the management of the business. With the American railroads the connection between the board and the management is usually much closer, several members of the latter having seats on the board. The comparative desirability of the systems mentioned is dependent upon whether one favours a board with technical knowledge or not. In short, in one case a board is untrammelled by internal tradition and meets each question from the viewpoint of an independent mind, while in the other case technical knowledge born of a long period of close contact and experience is permitted to throw a searching light upon present problems and difficulties, which have to be weighed up before important policies can be formulated.

Crossing the Channel one meets with a totally different situation. Excluding the State owned railways in France, the Etat, of which the old Western system forms a large part, and the Alsace Lorraine, which became French national property after the war, one finds company operation of State owned properties under the method of long leases. The relationship between the State and the French railway companies is so close that any improvements to property are made largely by national or local loans, interest on and amortisation of, the latter being obtained by temporary local surtaxes. The French *prime de gestion* system endeavours to avoid the pitfalls due to lack of initiative arising through the guarantee of interest on capital. Too complicated to explain here in detail, it consists essentially in the allotment of a bonus on a sliding scale, payable both to the company and its staff, if the degree of efficiency is increased as measured by certain indices, such as the figure of operating ratio when compared with the standard year.

Belgium, whose railway efficiency is of vital importance to its industrial prosperity, long possessed a State owned and operated system, but the devastating effects of currency inflation led to a separation of both entire ownership and operation from the State, although the latter still controls policy. The main endeavour in the new plan was to divorce railway finance from that of the national budget, and the progress attained in railway efficiency in Belgium during the last three years, together with the great savings in expenditure effected, affords adequate proof that the new type of organisation is infinitely to be preferred to the earlier one. This example is all the more striking when it is realised that the same management is

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in charge, and even prior to the change over the Belgian system was noted for the low level of its charges and the good service it rendered. Instituted on 7th August, 1926, the Belgian National Railway Company possesses a *Conseil d'Administration*, consisting of twenty-one members nominated for six years, to the number of ten by the King, and chosen for their particular competence in this sphere of work. A further five were chosen by the King from a list of candidates prepared by the Directorate of the Sinking Funds of the Public Debt, and three others were chosen by the King from candidate lists prepared respectively by the representatives of industry and commerce, agriculture and labour. The remaining three members are nominated by the employees of the company. This type of organisation must be unique, and financial results would seem to label it as effective and a certain improvement upon its predecessor but it must be remembered that the capital of the present Belgian National Company is nominal and arbitrary bearing little or no relationship to the capital actually expended in the construction of the system.

In Germany the situation is also unique, in that the German Railway Company only saw the light of day in 1924, as a result of the Dawes Plan, taking over the German Railway system itself amalgamated a few years previously by the consolidation of the Prussian-Hesse, Saxon, Baden and other State owned and operated lines. The organisation is as unique as that of the Belgian Company, for, with a nominal capital and no return yet made on its ordinary shares held by the German Government, it is controlled by a Board of Directors, amongst whom is a representative of the British Government. With a French, a Belgian and an Italian representative, the Board is completed with thirteen German representatives, some of whom are appointed by the Government of the Reich. Operating to provide interest upon Reparation Bonds, the position of the German Railway Company is likely to suffer a further conversion when the proposed Young Plan is ratified and becomes an accomplished fact, hence it is not intended to offer any analysis of what can only be regarded as a temporary organisation, designed to meet an exceptional situation, whose reproduction is not likely to be witnessed again. Perhaps the most interesting feature of the German organisation, as also in some degree the Belgian, has been the process of replacing the outlook of a Government department, accustomed to face the full force of political pressure, by a business organisation suffering at one and the same time from laws which imposed heavy expenditure upon it, and repeated refusal to be permitted to raise its scale of charges. Only a brilliant and tactful executive, backed by an efficient staff and assisted by an experienced board, could have preserved a nation's main source of vitality, so

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far as transport is concerned, from losing its morale under such adverse conditions.

Further afield one meets the full-fledged State owned and operated system, in truth this organisation is of many types and variations; Italy, as many other European countries, operates its State owned railways through a Government department, while the situation in Japan is substantially similar, since the Department of Railways superseded the Government Railway Bureau in 1920. Australasia provides the example of a continent whose railway systems are virtually all State owned and operated, usually through the medium of a High Commissioner, in certain cases reporting to a Minister of Railways. In countries undergoing development, a Government in order to open up territory for settlement must be prepared to engage in railway construction to achieve this end. That such lines will not prove profitable for some time is only to be expected, but this situation explains the extent to which State ownership of railways may be found in a survey of the various railways in the British Empire.

The difficulties of State ownership of public utilities are well shown by the varied changes that have been made in the management of the New Zealand Government Railways in recent years, following upon the recommendations of the Fay-Raven Royal Commission, which favoured the setting up of a Railway Board, consisting of a Chairman and two technically qualified members. This was duly carried out, as also the dissociation of railway finance from the consolidated fund. More recently a General Manager has been appointed, thus ushering in a further change in organisation. The same Royal Commission, in their Report on the New South Wales Government Railways, stresses the objectionable results of political appointments to such positions as those of a railway commissioner, since Government policies must inevitably change as Governments themselves change, while the incidence of blame for failure is too easily passed from one shoulder to another. In this connection, the point should be made that the capital expenditure of a public utility only fructifies fully after some years, and any change of policy may prevent such fructification, thus requiring that the appointment of a chief executive should be unlimited as to time, except through pension regulation. It is not necessary to add that the backing an executive requires should be equally unlimited except in the case of his proved failure.

Main line railways are, however, totally different in their characteristics from city electric lines. The financial history of the Interborough and Brooklyn-Manhattan Transit Companies' electric railways in New York City is a fascinating one, even if it makes

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somewhat sad reading. The well-known five cent universal fare, though it doubtless has elements of great social value, has failed to distribute population as widely as the alternative system has affected it in London. Though geographical limitations are severe in Manhattan, the tendency of its buildings to grow upwards rather than extend northwards is common knowledge. The 1927 plan of the Transit Commission to recapture for the city 156 miles of electric railway for nearly £40,000,000 proved a bold venture at cutting a Gordian knot. The danger of too stringent a regulation of fares may be exemplified well by the situation which arose in the case of an American tramway system, which gave instructions that its cars should never be painted, so that the regulatory Commission and the public would not be led to believe that the property was profitable. Such a case may be regarded as typical.

State ownership of public utilities is popularly supposed to ensure an adequate supply of capital for extensions at lower rates of interest than in the case of company enterprise. It is doubtful if, in reality, this advantage is not ephemeral. Serious complaints have been voiced in India as a result of the cutting down of State railway construction funds, in some cases actually after surveys had been made and construction commenced. In New York the Transit Commission, through force of circumstances has had to embark on a programme of subway construction involving an expenditure of over £130,000,000 during a four-year period. At home the Post Office has not been able to launch schemes of capital expenditure to assist unemployment on a scale comparable to those of the railways. The problem of the London passenger transport organisations is subject to so much discussion that it would seem undesirable to embark on any critical examination of the proposals at the moment so appropriately indistinct in a typical London fog. Berlin has, of course, brought about the combination of its omnibus, tramway and electric railway services, but the scale of operations is very different from that of London, while the employment of a uniform fare system alters fundamentally the services, and the financial and social aspects of the traffic company when compared with London, with its different set of geographical conditions.

Turning to the realm of other forms of public utilities, it should be borne in mind that even city railways differ vitally in the management aspect from water, gas or electric supply services. These latter are in reality closer to the sale of commodities than the sale of services; they have no contact with the consumer, except through the use of that other public service, the Post Office, or when a representative reads the meter. No passenger ever travelled by rail who did not think that he could operate the railway better than

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it was being run, but no one ever claimed when he turned the bath tap that he could manage the water company better than it was being managed. As long as water, light or power does not fail no serious criticism is experienced, but if a train runs two minutes late, not only is it criticised but it may throw out two hundred of its like from their proper course. A weedy railway track would be a source of ridicule and contempt, a slightly leaking water or gas pipe remains discreetly ashamed of its shortcoming and keeps its head covered underground. In fact it is preferred to the chaos caused in surface traffic above by its repair.

Different again is the latest type of public utility, the air port, as yet in its infancy as regards the question of organisation. The problem to be faced here is in a vastly different category, with the added difficulty of business management in an industry subsidised in varying degrees by all Governments, as being an element of considerable importance in the question of national defence. International co-operation alone can regulate the degree of maximum subsidy, on any route, which must inevitably set the pace for services of other nations utilising the same air route.

Lack of time and space forbids a detailed study of the organisation and control of gas and electric supply services, but in the field of transport utilities no survey, however brief, could claim any degree of completeness without reference to dock ownership and management. Great Britain can show examples of many types of port management; thus, at London is the Port of London Authority, established at the end of March, 1909, which together with the Mersey Docks and Harbour Board of 1858, is outstanding as an example of trust owned docks, dependent wholly upon the docks for revenue, and not designed to earn profits, which if such exist after payment of interest on stocks and bonds, are utilised to reduce charges. Bristol may be regarded as the best type of municipally owned dock system, in which case lack of revenue may be made good from the increase of local rates. The Manchester Ship Canal gives one an example of a company owned dock and waterway system, while at Hull, Cardiff, Southampton and many other ports, dock construction, ownership and operation is the ancillary part of a great railway company. Books have been written and whole evenings devoted to debates upon the comparative advantages of these rival systems; much is to be said for all of them, but judging by efficiency, it can be stated that there is very little to choose if variations due to physical differences be duly discounted. It is, however, worthy of attention that the creation of Southampton, and the present programme for its extension could hardly have been undertaken by the town itself; it certainly could not have been given preference over

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other ports by the State, and it is doubtful if any organisation other than the railway which served it could have launched out into such an ambitious scheme.

### IV CONCLUSION

From this brief survey, the question arises as to whether it is possible to generalise concerning the most desirable organisation for a public utility enterprise. Bearing in mind the need for business management and the protection of the consumer, is it possible to lay down even elastic principles as to the type of management for such widely differing services as water supply and city traffic, railways and air services, dock authorities and air ports? A reply in the affirmative would appear to ignore the developments of roughly a century in the growth and progress of these various forms of public utility. The steady evolution of railway organisation, still admitted to be in a state of flux, and similar evolution in other public utilities cannot and should not be replaced by general principles arbitrarily drawn.

Types of organisation are found to vary not only as between the different kinds of public utility, but also as between the several examples in any one country, as, for instance, docks and railways in Great Britain, or Shipping Board and privately owned ocean steamers in the United States. Probably in this last named case the latter will gradually take over the Shipping Board vessels, while on the Mississippi River it is unthinkable that the present organisation of the Barge Line, subsidised to compete with private enterprise, can long continue to incur heavy financial losses. The success of any organisation depends upon the correct interplay of the personal factor with what one may term the paper factor, or guiding principles. Circumstances alter cases, and it would be difficult to prove that the transfer of one type of organisation from one kind of utility to another would bring equally satisfactory and efficient results. To-day the problems which face us are mainly problems of distribution, not of production; it is a problem of finding the purchaser for the hat, or the motor car, rather than of finding out how to manufacture more hats or motor cars. Public utilities are mainly distributive in nature, and their transport function aimed at overcoming physical geography may be defeated by changing the fundamental theory of their charges and organisation from a commercial to a political basis. As the most famous figure in American railway life recently stated, "Very nauseating, annoying and petty actions constantly occur apparently inseparable with your relations with an institution governed by political considerations rather than business considerations."

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National differences must also play their part in the adaptation of organisation designed and built up in other countries; bitter experience has taught that no method, or organisation can be transferred without modification across a nation's frontiers. It would not be rash to prophesy that such transfers between industries are fraught with equal danger. In practice, public utilities are amongst the most vital of a country's possessions, I believe it was Kipling who once stated that probably no great nation ever perished save through failure to handle its transport. The progress of a public utility is bound up with its development, to ensure which by capital expenditure business management is essential, but the form that business management takes may be and must be varied, not only between the several industries, but even within those industries themselves. The citizens of Rome put it more tersely "*Quod cibus est aliis, alius est venenum.*"

May I conclude by quoting a few words from an address by Sir Henry Thornton in Montreal in 1924. After including in three cardinal principles essential to the existence of any railway as a private enterprise the fact that it must maintain solvency and meet its financial obligations, which is equally applicable to other public utilities, he concluded with a reference to State ownership in these words:—

"State ownership is only practicable in event of the complete divorce from influences other than those which have for their object the welfare of the community and in the presence of an enlightened and intelligent population."

Few are in a better position to appraise the most desirable extent of business management of the public services.

It suffices to add that success of such an organisation can only be measured by the low degree of regulation required, and the high degree of social satisfaction derived.

# The Provision and Equality of Opportunity in the Public Services

By C. R. STAMPE.

[*Paper to be discussed at Conference on 25th January, 1930*]

THE subject of this paper is one inviting various methods of treatment. There are single aspects of it, such, for example, as the structure of the Civil Service, common entry, common seniority lists, equal pay for equal work and segregation or aggregation, which could hardly be exhausted in a volume and a series of conferences. It is not intended to attempt an examination of these aspects but, taking things as they are, to consider how best equal opportunity can be provided, within the existing framework and under present conditions, for each individual to give the best of which he is capable. It will be a less exciting exercise, but one which may perhaps be of more practical usefulness, having regard to the limitations of space and time. Before, however, the subject is pursued on these lines a few observations of a more general character may perhaps be permitted.

One of the most striking developments during the last decade in the relationships between employers and employees has been the growing recognition by employers of the importance, in their own interests, of providing incentives and removing causes of irritation, discontent and unrest. Perhaps the most significant and the most hopeful features in this development have been the dawning realisation that only when conditions have been made favourable in these respects can the best results be looked for and that expenditure incurred in reasonable concessions to employees' aspirations yields, in the long run, a substantial return. It is not perhaps surprising that in the Public Services the development of the new outlook has been less marked, partly because conditions of employment in services publicly controlled have at no time been so unfavourable to the employee as in many privately controlled services, but mainly, it is suggested, because in the spheres of commerce and industry, cause and effect are more easily and quickly related. A manufacturer can measure almost exactly the effect on factory production of an incentive in the shape of a bonus, an increased piece-work rate, or a profit

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sharing scheme; a merchant's sales book will show him precisely the extent to which his sales have been increased by the payment of a more generous scale of commission to his salesmen. In these spheres, policy and action, very quickly and surely, reflect themselves in the Profit and Loss Account, whereas, in the Public Services an index of this sort is seldom available and it is always difficult and often impossible to gauge the overall effect of an improvement in pay, prospects or conditions. The tendency in any large organisation and in the Public Services in particular, where control is remote and the index afforded by a Profit and Loss Account not available, is to underestimate the action and reaction of human nature. Improved efficiency and increased output, resulting from the removal of causes of dissatisfaction cannot be expressed in terms which carry conviction in a financial statement and the result is that the standard by which proposals involving concessions to employees' aspirations are judged is apt to be too narrow. It is not unlikely that a closer study than has yet been made in the Public Services of the effect of incentives would lead to conclusions which, if translated into action, might contribute substantially to economical and efficient working.

It would be as silly as it would be untrue to deny that the Public Servant's interest in opportunity arises mainly from a desire to achieve personal success and to attain to a salary ensuring a reasonable degree of ease, comfort and enjoyment, but it would not be doing him full justice to assume that he is actuated solely and wholly by what psychologists term the acquisitive instinct. The Public Servant has his full share of that instinct, but he is moved also by a higher impulse, the desire to give to the service of the Community the best of which he is capable and some at least of his complaints of inadequate opportunity arise from the frustration of that desire. It is not necessary to stress this point, but to ignore it entirely is to invite error in diagnosing the causes of irritation and in prescribing remedies. It may well be that the claims of women for a wider field of opportunity in the Public Services have more of the higher impulse behind them than is generally conceded and that a more generous recognition of this would sweeten the atmosphere in which that aspect of the problem of equal opportunity is sometimes discussed.

It is frequently said, rather loosely perhaps, that opportunity is greater outside than inside the Public Services. It may be, and probably is, true that Commerce and Industry offer prizes of higher monetary value to the man of exceptional ability and outstanding personal qualities, but it is probably not true in the case of men of average or less ability. It is, however, worth while considering, very briefly, whether, as regards the treatment and remuneration of employees other than manual workers, there is anything in the prin-

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ciples and practices obtaining outside the Public Services which could, with advantage to the cause of opportunity, be imported into staff administration in the Public Services. An outstanding difference between the two is that, whereas, within the Services a man is placed on a scale of pay, along which he progresses regularly and almost as a matter of course, outside the Services, except in large organisations such as Banks and Insurance Companies where the practice approximates to that within the Services, remuneration moves in jumps, irregular both in amount and frequency, depending primarily on what a man's work is worth to his employer.

Few Public Servants, however keen their desire for increased opportunity, would, it is surmised, be prepared to sacrifice the security and regularity of a system of fixed scales of pay, with almost automatic annual increments, for the chances and risks of the other system. But payment according to worth has its attractions to both employer and employee and it may be profitable to inquire whether there are means of securing its advantages, in some degree, without sacrificing wholly the solid advantages of fixed scales of pay. The weakness of the system of fixed scales lies in the restrictions they impose on the employer's power to reward ability and valuable service. Scales are long and the opportunities to promote a junior infrequent, with the result that a zealous young man of great ability may work side by side, for twenty or more years, with an indolent and mediocre man without the management being able to do anything tangible to mark its appreciation of the difference in the value of the two men. It cannot be a good thing that a man of ability and energy, whose services are of value and placed unreservedly at the service of his employer, should, for a long period of years, be remunerated at precisely the same rate as the indolent man of inferior capacity who does just enough to escape a stoppage of increment. Is it not desirable, if it be in any way possible, to graft on to the practice of payment according to length of service an element of payment according to worth? The Order in Council of 1905, which authorised an increase up to four annual increments in the salary of *specially deserving members* in a particular grade of the Civil Service, has lapsed. Is it not time that the principle of that Order was resuscitated and extended?

This paper is, however, concerned with things as they are and not as one might conceive them to be in a perfectly ordered system; its main purpose is to consider how best, under existing conditions, equal opportunity (so far as it is possible in view of inequalities in innate ability and educational equipment with which competitors start in the race) may be provided for each individual to give the best of which he is capable and to profit according to the measure of that

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best. The problem seems to resolve itself into this—what can be done to ensure that (a) men shall be trained and tested so that each shall have adequate and equal opportunity to develop and disclose their potentialities and (b) potentialities having been disclosed, selection of those to be afforded extended opportunities shall be conducted on sound lines and with impartiality.

Training should commence immediately a new entrant, usually on probation, takes up his duties. Probation implies a trial followed by rejection if the results of the trial are unsatisfactory; the probationary period ought therefore to be a period of most serious effort to find out whether a man has aptitude, or is likely to develop it, for the kind of work he will be called upon to do if he be accepted. There is a tendency to underestimate the importance of the probationary period, to make little or no effort to try out a new entrant seriously and to exercise the power of rejection only in a case of most flagrant unsuitability. This reluctance to reject is neither conducive to efficiency nor in the real interests of the probationer. Nothing is more lamentable than to find a man condemned for life to an occupation for which he has no aptitude and in which consequently he is almost bound to miss success. If there be any doubt of suitability at the end of twelve months, the power to reject should be exercised, in the interests of both employer and employee. Carelessness or indifference on the part of the person responsible for training is as harmful during early office days as in nursery and school days; careful and conscientious guidance and correction are as necessary and important. If recruits to the lower and middle grades of the Public Service are to have the best possible chance to give of their best to the service of the Community, they require to be helped and guided with wise and tactful counsel in the formation of good office habits. Accuracy, tidiness and punctuality sound commonplace qualities, or perhaps they would be more aptly described as habits, but neglect to develop them during the formative period may, and often does, lead to disorderly and slipshod thinking later. A new entrant who starts his career in an office and under a control which pays no attention to his training in the acquisition of good office habits will be seriously handicapped and will find himself less able to seize and make use of opportunities than his colleague who has had the benefit of wise and careful training during his early days of office life.

Three suggestions as regards procedure during the probationary period are submitted for consideration. A specially selected officer, chosen for his willingness and ability to give wise and tactful advice should be given definite responsibility for the training of probationers. He should report on the trainee at least twice during the probationary period and he should aim at making these reports as informative and

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analytical as possible; a purely formal report is a sheer waste of time. The reports should furnish information as regards (a) qualities of mind and character, (b) the manner in which the duties on which the probationer has been employed have been performed and (c) any special educational or vocational qualifications. At the end of the probationary period, the Head of the Branch or Department and his principal assistants, sitting together, should interview each probationer before his appointment is confirmed with a view to forming some idea of his calibre and potentialities and to advising him, in the light of the reports which would be before them. Careful notes of the impressions formed at this interview should be placed in the man's personal file for association with reports obtained at later stages of his service.

With the completion of the probationary period, office habits should have been acquired, the new entrant will have become acclimatised to his surroundings and he will be ready to begin to acquire the knowledge and experience which, superimposed on ability and aptitude, go to make the efficient Public Servant. The two main tasks confronting the management during this period are, first, to provide adequate opportunities for as many as possible to gain as wide an experience as possible and, secondly, to ascertain individual abilities and aptitudes. It is inevitable in a large organisation that the various functions and processes should tend to become segregated in more or less watertight compartments or branches; it is also inevitable that the quality of the work and the value of the experience to be gained in one branch should be much higher than in another. Unless, therefore, a constant flow of inter-branch transfers is maintained a number of the staff will emerge from this important period handicapped by not having had experience in those branches which have the higher educative value. Every one who has acted as Staff Superintendent in a large organisation knows how difficult it is to maintain a steady flow of transfers between these watertight compartments. The head of the compartment naturally looks at things from the point of view of his own compartment and changes, involving the initiation of fresh men, are troublesome and either slow down the work for a time or, if output is maintained, involve additional work for other people in the compartment. Nevertheless, in the interests of the organisation as a whole, as well as in the interests of the employees, it is essential to maintain this constant flow. If it is not maintained, the organisation will find itself ultimately with a partially trained staff and a restricted field of selection when promotions have to be made, while the staff as a whole will suffer the inequities which invariably occur when the field of selection for promotion is restricted through causes of this sort. In working a scheme

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of inter-branch transfers, as in other phases of staff work, it is essential to plan well in advance and to endeavour to adhere to the plan even at the cost of some trouble and inconvenience. It so often happens that for reasons which are quite conclusive, but might with fore-thought have never arisen, the thing that ought to be done, the opportunity that ought to be given, has to be dismissed as impracticable. It is inevitable that a policy of inter-branch transfer should involve some loss of working time and consequently some additional cost, but the compensations are a higher average level of knowledge and experience in the whole of the organisation and a staff which feels that opportunity for gaining experience, widening knowledge and increasing usefulness, has been equalised as far as possible. In the long run, the additional cost is likely to prove to have been a true economy.

The second task of management during this period of staff adolescence—the ascertainment of individual abilities and aptitudes—should proceed concurrently with that of affording opportunities for widening knowledge and experience. There is a disposition sometimes and in some quarters to attribute inequality of attainment wholly to inequality of opportunity. That is a fallacy and in so far as complaints rest on it, they can and should be disregarded. Success or failure depends as much on the capacity of the individual to seize and make use of opportunity as on opportunity itself. In its turn, the capacity to take advantage of opportunity depends in a measure on innate ability. A man of high innate ability, all other things being equal, is bound in the long run to prove more successful than the man less liberally endowed and there is no possible way in which the handicap of low innate ability can be removed, nor would it be right to remove it even if there were. Innate ability may, however, take various forms and an individual may possess it for one type of work and not for another. The Public Services, with their multifarious activities and many-sided interests, afford scope for every variety of ability and it should be one of the most definite aims of management, not in the interests of a class or individual but in the interests of efficient and economical performance of those services, to devise means of discovering the type of innate ability possessed in each case and to make use of it to the best advantage by employing it on the work which affords most opportunity for its exercise. If a man is given a job for which he is naturally ill-fitted, it is as much a handicap to the efficiency of his Department as it is detrimental to his own chances of success. It is waste of the worst sort to employ an individual with a gift for work of a particular kind on work which affords no opportunity for the exercise of that gift, and it is depriving the individual of the opportunity due to him to show his worth. The

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old theory—still too often acted on—that real ability will disclose and proclaim itself in any circumstances, that sooner or later men will sort themselves out may be true of small organisations but it is a dangerous half-truth in the case of large ones. If a large one is run on these lines, the result is, at best, a big element of chance or luck and, at the worst, something not very different from favouritism. A scheme of inter-branch transfers, in addition to widening experience, will help a good deal in discovering individual aptitudes and in disclosing inaptitudes. A comparatively short period in a Branch where the work is mainly with figures will disclose an inaptitude for that class of work and when once a definite and pronounced inaptitude is established it is usually a waste of time to send the man to another Branch involving figure work, although it may not be of a precisely similar kind. A systematic scheme of inter-branch transfer does not mean a system of purely mechanical rotation, that is always bad and wasteful. Once a man has shown inaptitude for a particular class of work he should be kept out of Branches where that class of work predominates and he must suffer any loss of opportunity which may result from want of experience in those Branches. The Public Services can and should take time and trouble to discover and develop aptitudes; from that springs economy and efficiency, but it is submitted that it is unjustifiable to spend public money in endeavouring to turn inaptitude into aptitude.

A scheme of inter-branch transfers will not, however, do everything that is necessary. If the task of discovering individual aptitudes is to be well done, additional agencies must be employed. The Head of a Branch who makes himself accessible to the junior members of his staff and makes opportunities to talk with them in an informal way on some phase of the work of the Branch will find out more in a few months about the calibre and aptitudes of the individual than the Head of the Branch who relies solely on normal office routine will find out in as many months. In some organisations, classes for the study of some section of the organisation's activities have been found a useful agency for throwing light on individual aptitudes.

Up to this point the problem of discovering aptitudes, or, in other words, of fitting the man to the job has been considered with the field of inquiry limited to the single organisation. But is there any reason why the field should be thus narrowed? Whatever the variety of work in a single organisation, a group of organisations is bound to show a greater variety and to afford more opportunity for a satisfactory solution. There is unfortunately a strongly-marked tendency in the Public Services for the single organisation to regard itself as a thing entirely apart; existing regulations and practice in the matter

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of inter-organisation transfer reflect that tendency and present obstacles to attempts to sort out and place men according to aptitudes. Granted that the Public Services embrace many types of work, that their personnel includes many types of mind, should it not be the policy to make it as easy as possible to sort and place men according to type of mind and work? Is it good that it should be the difficult thing it is to transfer a man with, say, the analytical and research type of mind from an organisation in which the possession of executive qualities is essential to success, to an organisation in which a flair for analysis and research are all-important? During the first five years of office life much may have been learned of individual aptitude and innate ability; is it not wasteful that in a huge group of organisations, such as the Public Services, the arrangements for making that knowledge serve the end of fitting types of mind to types of work are so meagre? It is submitted that flexibility in the matter of inter-organisation transfer is essential both to efficient and economical organisation of the Public Services and to the provision and equality of opportunity for their personnel. So far as the Civil Service is concerned, responsibility for recruitment is concentrated in one Department; would or would it not be a good thing to add to the functions of that Department, that of a kind of staff clearing house?

Such an arrangement could be criticised on the ground of loss of time and additional expense consequent on a second period of training. An answer to that would be that the transfers would be mainly of officers on the lower grades and during the early years of service when the loss would be small, whereas, the loss arising from a misfit continues throughout the whole period of service and becomes heavier each year as salary increases. The arrangement would have to be something quite different in kind and in method of working from the old arrangement under which Departments rejected a grossly inefficient recruit and returned him to the Civil Service Commission for allotment to and trial in another Department. Stigma attached to that process; the new arrangement would have to be conceived and worked in an entirely different spirit.

There is another problem to which it is convenient to refer at this point—the problem of the groove. This problem may arise from a policy, deliberately adopted, of encouraging specialisation on particular jobs. Save in very exceptional circumstances, the wisdom of such a policy in the case of work allotted to the lower grades may be doubted. If the jobs are such as to call for the exercise of the higher qualities and afford some variety of experience no great harm accrues to the men employed on them. But where specialisation is allowed to a considerable extent, there is always a danger that promotion will have to go to a particular individual, not because of his general

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superiority but because he happens to be the only individual with experience of a particular kind. Nothing is more damaging to the morale of an office than promotions attributable to this cause, and it is the negation of equality of opportunity. More generally, the problem arises from the presence of a mass of work, which, if not purely routine, becomes in the course of time so closely regulated by rule and precedent that its performance and direction offer little scope for the exercise of originality, initiative or judgment. It is almost inevitable that there should be deterioration, so far as these qualities are concerned, in individuals employed for lengthy periods on this type of work; they get into a groove, their minds lose their freshness and slowly, very slowly perhaps, but still surely, they become incapable of applying any more fundamental standard of reference than established practice. Of all the difficulties to be faced in the endeavour to give adequate and equal opportunity, those arising from the presence in one Department of a large preponderance of not very high class work of one pattern are perhaps the most difficult to surmount. Something can be done by a careful distribution of the good work and by taking care that mediocrities, by virtue of seniority alone, are not allowed to monopolise it to the exclusion of others with the capacity to profit by employment on it. But when everything possible has been done within the Department itself, there will still be a number of promising men who will have to spend too large a proportion of their time on work which is below their capacity and affords inadequate opportunity for exercising and developing the higher qualities. Moreover, it is usually the case that in the Department with a heavy burden of "one pattern" work the ratio of higher to lower posts is below the average and the man unfortunate enough to be posted to it finds himself at a two-fold disadvantage as compared with his colleague in a Department where the work is of a more varied type—he is debarred, or almost so, from employment on work which calls for and develops the higher qualities and there are proportionately fewer posts to which he may be promoted. Again, flexibility in inter-departmental transfer arrangements seems to offer most hope of a solution. Would it be practicable and if so would it, on balance, be desirable, to introduce an arrangement whereby a proportion of vacancies on the lower grades in the Departments not overweighted with a mass of "one pattern" work were filled by transferees from the "one pattern" Departments. Such a scheme would go some way to solve the problem of the groove and, by reducing the number of men at promotable age in the Departments with a smaller proportion of higher posts, would tend in the direction of equality of opportunity. There would be certain obvious disadvantages in a scheme of this sort, for example, the immediate loss

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which accompanies a displacement of labour, but a cursory examination suggests that the advantages would be found to outweigh the disadvantages and, on the whole, it seems to have advantages over equalisation by means of a pool of the higher posts.

Up to this point, attention has been directed to considering ways and means of giving the Public Servant adequate and equal opportunity to fit himself and to disclose the measure of his fitness for extended opportunity. It remains to consider how to ensure that the selection of those to be afforded extended opportunity shall be conducted on sound lines and with strict impartiality.

The problem is that of securing adequate and fair presentation of the evidence accumulated at previous stages, to the body charged with the duty of selection.

The importance of this is obvious, faulty presentation of the evidence may stultify all the efforts made previously to afford each individual adequate and equal opportunity to disclose his capacity and qualifications. The day when selection proceeded on entirely haphazard and capricious lines, with chance and sometimes something more objectionable still playing decisive parts is happily past. To-day, the machinery of selection, at any rate so far as the lower and middle grades are concerned, has been improved to the extent that a review of the claims of each individual is at least ensured and that is a big step forward. But whatever the time and care expended on the review, it cannot give wholly satisfactory results if the evidence submitted for review is inadequate, or, by the manner of its presentation, unfair as between individuals. There is undoubtedly still room for improvement in the technique of collecting and presenting evidence and it may be helpful in considering how improvement can be effected if the problem be looked at from the point of view of the selecting body. By the nature of things, that body must consist of high officials, who, in a large organisation, do not possess, and cannot be expected to possess, close personal knowledge of the individuals between whom they have to judge; especially is this the case when the personnel is that concerned in "first step" promotions. In such cases, the selecting body is bound to rely to a large extent on reports by those in closer touch than itself and in consequence it at once finds itself confronted with difficulties arising from the different standards adopted by reporting officers.

The importance of meeting the difficulties created by different standards in reporting on staff was recognised by the National Whitley Council for the Civil Service and in the joint report of August, 1921, certain principles and procedure were recommended for general application throughout the lower and middle grades of the Civil Service. The principles underlying those recommendations have been

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adopted and have undoubtedly effected a very considerable improvement in the machinery of selection. One of the most important recommendations was that a standard form of annual report should be used. The form of the report may not be familiar to everyone; it will be convenient therefore to outline very briefly its principal features. The form contains a list of some 11 qualities and the reporting officer is required to say, as regards each one of the qualities named, whether the officer under report is average, above average or below average of his grade. In addition, he has to say, and this is the most important section of the report from the selecting body's point of view, whether the officer is:—

- (a) Eminently fitted for special and early promotion.
- (b) Fitted for promotion but not for exceptional promotion.
- (c) Not fit for promotion at present.

It will be observed that in reporting on the qualities enumerated in the report a comparison has to be made with the average of the grade. It seems to have been assumed that the average of the grade was a definite and constant quantity with which each reporting officer would be familiar. Experience has shown that the assumption was not sound; each reporting officer has his own conception of what the average is, and that conception is usually, and not unnaturally, affected by the average of the particular group of men who happen to be under his control at the time the report is made. It may, and often does, happen that, owing to the quality of the work, the general level of ability of the men attached to Branch A is much higher than the level of those in Branch B. The tendency in such circumstances is for the marking in Branch A to be on a much higher standard than in Branch B and unless due allowance is made by the selecting body, serious injustice may be done as between individuals in the two branches. Moreover, reporting officers vary widely in disposition, temperament and discrimination and these things are reflected in their markings.

Two suggestions (very obvious ones) for minimising the danger of inequality creeping in as a result of differing standards may perhaps be put forward for consideration. First, that the selecting body should acquaint reporting officers, in as clear and explicit terms as the difficulties permit, with what it conceives to be the standard required to justify each of the markings under "Degree of qualification for promotion." It will, of course, happen that the selecting body's conception of the standard will not be uniformly interpreted but, at least, the mind of each reporting officer will be working on the same lines and towards a common standard. Second, that the selecting body should take definite steps to acquaint itself thoroughly with the characteristics of each reporting officer and, as a means to

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this end, should hold periodical conferences with them at which each should be asked to give his opinion on any officer within range of promotion known to him, whether or no the man in question is at the moment under his control.

It may be doubted whether, even when everything possible has been done to eliminate inequalities, a common standard will be secured while the criterion remains so nebulous and varying a quantity as "the average of the grade." A closer approach might be possible if, in each reporting officer's group, particular officers, well known to the selecting body and satisfying its conception of the three degrees of qualification for promotion, were made the standard of comparison, instead of a hypothetical average of the grade.

A common standard in reporting to the selecting body is of the very highest importance; if and when it is secured, a big step will have been taken towards the elimination of inequalities.

A brief resumé of the points touched on in this paper may perhaps facilitate and focus discussion:—

- (a) Favourable working conditions conducive to economy and efficiency—necessity for closer study of overall effect of incentives.
- (b) Desire for extended field of opportunity not due wholly to acquisitive instinct.
- (c) Desirability of introducing some element of payment according to worth.
- (d) Training—importance of probationary period—selection of trainer—necessity for informative and analytical reports—exercise of power of rejection.
- (e) Provision of opportunity for as many as possible to gain as wide an experience as possible—inter-branch transfers—planning in advance.
- (f) Ascertainment of ability and aptitude—fitting the man to the job—sorting and placing men according to type of mind and work—desirability of a staff clearing house.
- (g) The problem of the groove—dangers of specialisation—difficulties in Departments with a mass of "one pattern" work—equalisation of opportunity by filling vacancies by transfer—necessity for flexibility in inter-departmental transfer arrangements.
- (h) Selection procedure—the problem of the differing standard—guidance for and conferences with reporting officers—possibility of a new standard of comparison.

In conclusion, this significant point seems to emerge from a consideration of the subject, that the problem of providing opportunity is the problem of making the best possible use of staff looked at from another point of view.

# Changes of Relations Between Local Authorities and Central Departments

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[*Paper read before a Joint Meeting of the Institute of Public Administration and the Society of Town Clerks*]

Chadwick, whose name must always be associated with the English Poor Law system, and who was such a firm believer in Central Control, is said to have always complained of the subordination of the bureaucrat to the untrained members of Local Authorities.

One wonders whether he would still have made the same complaint.

He is the protagonist of a system based on central control which was destined to last almost a century, and it is perhaps therefore not inopportune, as that period expires, and when the Poor Law is now so near its burial, to consider something of the changes which have occurred or are occurring in the extent of central control.

If we read our history aright, after the Norman Conquest, government was entirely centralised in the Crown.

The Crown had of course to operate in local matters by local officers or agents, and gradually to delegate to local knights and justices of the peace those few matters of local administration which were then dealt with at all.

These administrative duties of justices of the peace were progressively liberated from central control.

Under the Elizabethan Poor Laws, although the care of the poor had been regarded as a national duty, it was to be discharged as a local burden, to be undertaken separately by the justices, churchwardens and overseers of each parish—the smallest local ecclesiastical unit.

In such a way the parish came into use as the ordinary local government unit, and as a consequence the unit for local Rates or Taxation.

It was the revision of this Elizabethan Poor Law System by the Poor Law Act of 1834 by which the principle of central administrative control was for the first time established by Parliament on a large scale.

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By this time of course the Crown's monopoly of power had become divided by the Crown and Parliament, and now instead of persons sole, local authorities came to be used for local affairs.

Local authorities are the creatures of Parliament. They derive their powers through Parliament, not, however, like the local servants of the Crown in the earlier days, who were merely his passing agents. They are not in the same sense the agents of Parliament, but hold, within the limits of their statutes, derived powers for the exercise of which they are directly responsible to the constituents, by whom nowadays they are elected.

They must, however, act strictly within their powers and if the statutes which have created them prescribe as a limitation upon them that they shall be subject to certain central control, that control must be submitted to as a restraint or check upon their jurisdiction.

Parliament, like the Crown in olden days, had to work in part legislatively, and in part administratively. Its administrative responsibility came to be discharged by the Government for the time being. The Cabinet or Executive creates its Departments, and its Departments act as the major instruments in such measure of central control as Parliament from time to time desires.

Mill, in his great Essay "On Liberty," in 1859, discusses the theory of Central Control and agrees that—

"there should be a central superintendence, forming a branch of the general government, which should have a right to know all that is done, and its special duty should be that of making the knowledge acquired in one place available for others. Emancipated from the petty prejudices and narrow views of a locality by its elevated position and comprehensive sphere of observation, its advice would naturally carry more authority, but its actual power as a permanent institution should, I conceive, be limited to compelling the local officers to obey the laws laid down for their guidance."

Mill proceeds, after this exposition of theory to discuss the specific case of the Central superintendence exercised by the now old, but then new Poor Law Board. He agrees that the problem of pauperism was a national matter which had in 1834 justified an extension of central control, but he proceeds—

"Whatever powers the Board exercises beyond this limit were right and necessary in that peculiar case for the cure of rooted habits of maladministration in matters deeply affecting not the localities merely, but the whole community, since no locality has a moral right to make itself by mismanagement a nest of pauperism, necessarily overflowing into other localities, and impairing the moral and physical condition of the whole labouring community. The powers of administrative coercion and subordinate legislation possessed by the Poor Law Board (but which owing to the state of opinion on the subject are very scantily exercised by them), though perfectly justifiable in a case of first-rate national interest, would be wholly out of place in the superintendence of interests purely local. But a central organ of information and instructions for all the localities would be equally valuable in all departments of administration."

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It will be observed that Mill thus indicates not only that a case of public policy must be required to justify control, but also that limits must even then be carefully placed upon the extent of it.

Before the nineteenth century the central control of local government was almost nothing beyond legislative control of Parliament itself as distinguished from the administrative control of central public departments.

As to the extent of Parliamentary control proper a few paragraphs from Redlich and Hirst's "English Local Government" may conveniently be quoted and will carry more authority than any survey of my own.

"As the activity of the State intensified, the energy of Parliament grew, until from the sixteenth century onwards, when its procedure had become regularised, the results of its work always appeared in the form of a statute, public or private. To sum up the full results in all their bearings is scarcely possible, but they amount at least to a principle which makes one of the corner stones of the constitution. Any new law that is to have binding force upon citizens, whether its application be to the whole State, or to a particular district only, must have received the sanction of Parliament. In other words, it must be in statutory form, and it can only be in statutory form if it has passed through all the requisite stages by which a Bill is turned into an Act. Thus, by exercising and developing the right of petition to its utmost extent, and by preserving at the same time the old local divisions of the Country as the units of administration, English genius was able to provide for local requirements in the form of statutes, and so to keep under the control of Parliament what is in continental states an undisputed preserve of administrative law, and of the departmental activities of the central government.

"It will be worth while to pause here for review. We have seen how, after the Norman Conquest, the Government of England was first centralised and unified in the kingly power, and then again—as regarded the maintenance of the peace and administration of the law—decentralised and localised by the institution of Justices of the Peace, a striking recognition of local patriotism."

"The institution of Justices of the Peace is a significant landmark in the struggle against the centralising tendencies of Government."

"It has for many centuries been the most characteristic feature of public authority in England that all, or nearly all, the functions of home government for the preservation of order, the protection of citizens, and the promotion of common interests, the functions of local government pure and simple. It is impossible to give an exhaustive description of local government by a reference to its objects, which are increased in number every year by private and public Acts; but it may be defined generally as the carrying out by inhabitants of localities, or by their elected representatives of the duties and powers with which they have been invested by the Legislature, or which devolve upon them at common law. The *antithesis* between a central function of the State and a *local* activity of citizens prescribed and ruled by laws, which is involved in this definition, is the distinctive characteristic of English Local Government. On the one hand, public administration of local affairs can only be carried on by local authorities. The sovereign authority must act through a local medium; it cannot itself take in hand the business of local government. This principle underlies the whole organisation of the local authorities, yet those authorities are living members of the constitution. They are subjects as well

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as administrators of the law. Though Parliament cannot carry on local administration in a given district, save indirectly through the local authority, yet Parliament made the local authority, and can at any time unmake it, and can at any time confer or take away any power or duty it chooses. And if the local authority exceeds its powers or fails to perform its duties, it is responsible for its excess or deficiency in an ordinary court of law. These unifying principles have remained unimpaired by the great reforms in spite of enormous changes in the means and objects of administration, and of the development of a certain form of central control over many branches of internal administration. Thus the organisation of local government secures the free co-operation of citizens in the management of their common interests, and affords a contrivance for transmitting the dull mechanical forces of a central government into active and vigorous life. The hard features of law, the red tape of departmental rules, gain in real strength and lose in harshness when they are interpreted by a self-governing local community."

"But no blunder could be greater than that so commonly made by continental writers—of jumping to the conclusion that in England, Local Government has been centralised in the continental fashion, and that in this province of administration the older style of constitutional government in England has been over-ridden by independent departments, or bureaus of officials. Not by the extent of its activity, but by the mode in which it is exercised should a central department be judged. A central control depends above all on the construction put on the relations between the central and local authority. Only when the peculiar plan, which has been adopted by the English Legislature, for the solution of this great problem has been clearly envisaged, shall we understand English centralisation as it really is, and recognise fully the deep-seated differences which separate it from continental systems of administration."

As we have noticed above there was a big step towards control at the commencement of the nineteenth century.

In 1815 there was no Local Government Board or Ministry of Health, and the Home Office only required an establishment of 18 clerks. Indeed it has been cynically said that at this time, central control was politically unnecessary, seeing that the class which sat in Parliament was identical with the class which ruled the Counties and controlled Municipal Government.

The change over from an almost entire absence of central control to a large measure of it was brought about mainly through the new Poor Law and the new Sanitary systems which were established.

The administration of the old Poor Law, however suitable to the Elizabethan times in which it originated, had become ineffective and liable to great abuse, not only within each parish, but as between parish and parish, and it seemed at the time to be, and probably was, essential that in the new system some central control should be established to enforce upon the Poor Law units a proper administration of the new system, both for the protection of the persons to be relieved, and of the Ratepayers who had to pay the bill, and also for the prevention of a lax administration, or a lack of administration in one Poor Law unit causing injury and injustice to neighbouring or even distant units.

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Similarly at the early stages of our new Sanitary system which grew largely out of the sufferings caused by epidemics of disease, which from time to time ravaged the country, it was felt, and no doubt rightly so, that the sanitary measures to prevent, to check or to deal with such epidemics, would be ineffective unless they were conducted under the guidance and control of a central authority, who should have power to enforce upon unwilling local administrators the performance of their duties, without which the faithful discharge of such duties in neighbouring areas might at any time be prejudiced or sacrificed.

This control was first established by the Public Health Act, 1848, but there was such a revolt against the large measure of central control proposed in that Act, that it had to be modified, and in 1858 the General Board of Health was abolished, and such of its functions as remained were distributed amongst some other offices, viz., the Privy Council and Home Office.

Sanitary administration has, of course, had its sphere enormously enlarged since then, and whilst at first other Departments, and especially the Home Office, played a considerable part in this central control of Sanitary administration, now it is centred mainly in the Ministry of Health.

The Sanitary movement developed, and in 1871 the Local Government Board was established, abolishing the Poor Law Board, and the Public Health Act, 1875, delimited afresh a measure of central control over the urban and rural sanitary authorities.

So far as strictly Municipal administration is concerned contrasting it with Poor Law and Sanitary administration, central control was very sparingly introduced in the Municipal Corporations Acts, the municipality being given municipal autonomy except for a limited measure of control in such matters as loans and the selling of Corporation property.

There is, of course, as we have seen, a measure of central control over all Local Authorities involved in all legislation (whether general or local) which imposes duties upon them, in so far as it expressly or by implication limits, controls and circumscribes their powers.

But apart from this general and strictly legislative control there are in operation many *specific methods of administrative control*, which need to be examined in more detail and about which much can be said no doubt on either side.

These methods include control of Finance by sanction, audit and grant; control by sanction to loans; control by order or scheme; control by general regulations; and control by veto or consent to local bye-laws, regulation and orders; and others which it is unnecessary to mention.

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I conceive that the objects of such control as has been given by Parliament, under the methods referred to, may probably be said to be *first*—to ensure financial security and economy; *secondly*—in certain matters of administration to secure that a certain minimum or normal standard of efficiency shall be attained by individual Local Authorities; *thirdly*—to assist Local Authorities to profit by a central pool of experience, and perhaps *fourthly*—some temporary check on hasty or misguided action in certain matters of importance.

If such be the objects, one may concede that they are worthy objects, and that it was desirable to provide for their achievement.

But to concede that does not waive the question which still remains, viz., whether the methods of control are now appropriate and appropriately administered; or, to state it somewhat differently, whether the methods and machinery of control have reacted sufficiently to changing times, ideas, and conditions, be the consequence of such reactions to result in either the tightening or loosening of the control.

The purpose of this paper is not to dogmatise whether in History or policy, but to explore origin and purpose, and practice, and to seek some guidance for future policy.

For instance, *standardisation by control* may conceivably have been and may remain proper for police and tramways, whilst it may conceivably have become untenable say for education or for housing schemes. Has not experience of both the latter instances been to indicate that a movement is desirable towards diversity, and away from too much standardisation?

Just as there are reasons why individuals should not be standardised in one mould, so local conditions also ought to be fully reflected in local administration, and there is a danger of a central control not adequately recognising the case for differentiation, or if it does, only arriving ultimately at a decision which the Local Authority might have been left to make for itself.

Further, ought standardisation to be imposed as a requirement? or, urged merely by way of general advice?

The exercise of control over Finance is also to a certain extent a process of standardisation, such as by the requirement of standardised returns and the operation of standardised provisions and regulations with regard to loan operations.

The main control is, however, by the method of loan sanction and by the method of various grants given in aid of local rates directly or indirectly from the central Exchequer.

Both these methods are far reaching, and during the last half century have operated as drastic methods of restriction, control and supervision of nearly all forms of local expenditure.

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But they do not represent all the financial control now secured by Government Departments.

*Audit by a Central Authority*, which is another instrument of central control, was apparently first introduced in respect of Poor Law even prior to the Poor Law Act of 1834, for the Churchwardens and Overseers had to present their accounts annually to the Justices.

By the Act of 1834, the Guardians of the Poor had to appoint a competent person to be an auditor, irremovable except by or with the consent of the Poor Law Guardians.

In 1844 the Justices were deprived of their audit powers; in 1868 the Local Government Board took the exclusive power to appoint all future Poor Law auditors out of the hands of the local Guardians and in 1879 these Officers were converted into Civil Servants and the whole country divided into audit districts.

This control of Poor Law accounts has, however, since been extended to other matters, and over all operations of all County Councils, Rural and Urban District Councils. In fact it covers almost all Local Authorities except Municipal Corporations, and embraces even them so far as their administration of Education, Housing, Rating and Poor Law is concerned, and its claim for still further territories is sometimes heard.

With regard to *Loan Sanctions*, it may perhaps be open to question whether the practice of control does not to some extent travel beyond the expressed intention and provisions of the Legislature.

Parliament requires that local borrowings shall be subject to central sanction. Parliament seemed to be clearly aiming at the possibility of Local Authorities having recourse too often, or too heavily, to the tempting opportunity for putting upon the Ratepayers of future years the burden of expenditure undertaken in the present.

Local Authorities, however, under the powers they derive from Parliament do not need to submit to the approval of the Central Department their proposals to expend out of their current rates such moneys as they choose for purposes within their powers, with certain exceptions. The necessity for such expenditure and the reasonableness of it are entirely a matter for themselves subject of course to the electoral control of their own local constituents.

But under the practice of loan sanction control it is customary for the Department not only to see how the total indebtedness of the Local Authority will be affected by the proposal, or whether the liability is balanced by an asset, or even to consider the general question of the necessity for the proposal, but also to consider the whole question of the desirability and reasonableness of the scheme,

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from the point of view of local conditions, legal and engineering factors, and the economy of the itemised estimates.

Doubtless Local Authorities and their officials have derived, and still have the benefit of, valuable assistance in many cases from this procedure, but is not the wider and growing experience of Local Authorities and of their technical officers, a change of circumstances which makes such meticulous re-examination of every small loan problem by the officers of a central department somewhat redundant and unnecessary?

Financial soundness is not a thing to be sacrificed, but is it imperilled by leaving a large Local Authority uncontrolled to determine for itself whether it should pledge its resources to buy a site for a police sub-station, or treat as a capital cost the extension of a main sewer?

On a loan sanction application the real question is not whether the proposed work or scheme should be undertaken by the Local Authority, but merely whether the Central Authority ought to sanction a loan to enable such expenditure to be charged against the accounts of future years.

And one must consider whether the object of the legislature is really and merely to secure financial stability and soundness, or whether it is in any other respect whatever to substitute for the judgment of the local representative authority, that of a Minister of the Crown or his officials.

I think so far as the law is concerned, there is no general power for a Government Department to give orders or to exercise any general control or veto over the administrative acts of a Local Authority, or to exercise any interference with a Local Authority except in so far as it is expressly authorised by Parliament.

*Control by grant* is more far reaching still, and was described to the Local Government Commission as "a critical factor in increasing the measure and degree of central control."

Relating as it does to current expenditure, it reaches both capital and revenue account, and the control exercised to guard the grant has grown to reach almost every item of expenditure in the account aided.

The extent of control and the meticulous detail with which it has come to be executed has, I think it must be admitted, indeed become irksome to both sides, and it is not therefore perhaps necessary to discuss past methods of this control at length.

The amount of control exercised has been defended in the past, and is still, on the lines of the proverb about the piper and the tune, but it must be remembered that the persons who pay the piper are not really either the Local Authority or the Department, but the

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ratepayers and taxpayers behind them, who are in any case to a large extent the same people.

Acting upon the proverb, the control ought not to be exercised any further than to secure that no unfairness is done as between ratepayer and taxpayer.

I shall not be overstating the case (or the necessity of some radical change and modification of this method) if I quote from the Ministry of Health's own famous Circular numbered 1,000 on the Local Government Act, 1929.

"Experience has shown at least two cardinal defects in the modern system of grants, commonly called percentage grants, in its application to the health services with which Mr. Chamberlain is specially concerned in this connection."

"In the first place, these grants had been found to impair in some degree the proper independence and vigour of local government, since they involved a minute and continuous central control of the detail of affairs which ought to be local (because what is paid for item by item must be scrutinised piecemeal by each party to the payment)."

The Minister in his Memorandum of Proposals for Reform in Local Government also said that—

"the existing system is open to the strongest criticism. It is complicated by the payment of grants on varying bases. It requires detailed supervision of the services provided by Local Authorities on which direct grants are paid.

"In the Government's view a proper system should

- "(a) Recognise that a fair contribution should be made from the Exchequer towards the cost of local services.
- "(b) Ensure that Local Authorities have complete financial interest in their administration.
- "(c) Be adapted in its working to the needs of the areas.
- "(d) Permit the greatest freedom of local administration and initiative.
- "(e) Provide for sufficient general control and advice from the Central Departments to ensure a reasonable standard of performance.

"Accordingly it is proposed to abolish as from the 1st April, 1930, the existing Exchequer Grants, and to substitute a new consolidated grant."

With regard to *control by regulation and order* I would not have referred to this method of control had it not been for the importance of it, having regard to the change which will come into operation next April, by which the responsibility for Poor Law Administration is transferred to the County and County Borough Councils.

The extent to which regulations and orders have been made by the Central Authority in regard to Poor Law is scathingly referred to in the second volume of the author Redlich (to whom I have previously referred) in these terms:—

"With the help of these general orders, the central authority has been able to keep the whole administration of the Poor Law in steady movement along the lines laid down in the legislation of 1834. By a multitude of rules that defy review, outdoor and indoor relief, schools and hospitals, and asylums for the poor, have been regulated in such precise detail that the poor laws themselves sink into comparative insignificance before the Poor Law Orders,

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so far as the actual work of administration is concerned. Some idea of the purview of these orders may be gained from the simple statement that the latest revised edition of those now in force, which omits the special Orders, is a duodecimo volume of 1,200 pages, while the last edition by Glen contains over 1,500 pages octavo. There is some irony in Maltbie's observation that it is almost impossible 'to suggest any subject upon which orders or instructions have not been issued. The time of rising and retiring of workhouse paupers, the amount of soup given to each person, the preparation of food, the baptism of infants born in the workhouse, and many other minor matters are ruled with great precision.' In short the local Poor Law Authorities and their officers are so overdosed with Orders that almost every act seems to be performed under a prescription of the Local Government Board."

That quotation from a book some years old may be somewhat out of date, as I understand there has been some simplification of procedure. As an instance even in respect of dietary, whilst preserving the inmate's right to receive the full ration to which he is entitled, the Ministry have since come to the mature conclusion that "meals may be served according to appetite."

Moreover it is of course to be anticipated that a good deal of the effect of these regulations and orders, even if they are not revoked or amended, will in course of time be negatived by the process of the Counties and County Borough Councils gradually making declarations in respect of various matters that they will deal with them under other powers than those of the Poor Law.

But on the other hand it must be recognised that this process must be gradual, and in a number of instances it is quite possible it may be very protracted, and now that the administration of Poor Law is to be transferred to what I might describe as major Local Authorities, it does seem desirable that they should not at every step be tied up by such a pervading system of regulative control, but trusted with considerably wider discretion than that which has been meted out to the existing Poor Law Guardians.

The Minister of Health (Mr. Greenwood), speaking to the Association of Poor Law Unions last month, said that—

"his theory of Local Government was a very simple one—give local authorities the maximum power and hit them hard on the head if they did not use it. The worst system of local government was that which existed on meticulous interference and supervision by a Central Department, and so far from wishing to accumulate new responsibilities and powers, he would be only too delighted if he could get rid of some of them. He was prepared, therefore, to give the widest possible latitude to local authorities to work out their salvation in the new problems before them."

In conclusion I must add that Local Authorities are not unconcerned themselves in ensuring financial soundness to their own undertakings and operations and they now take elaborate precautions to effect a close scrutiny from a financial aspect of all proposals coming before them. This precaution may be taken (as in my own Council)

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by carefully conceived Standing Orders which prevent the consideration by the Council of any proposal involving substantial expenditure until it has been examined by a Special Finance Control Sub-Committee and reported on by the Finance Committee.

But may I remark in parentheses that this local control of the Finance Committee is not used to deprive the special administrative Committee of its primary responsibility as to the necessity, reasonableness and method of the scheme, but only as to its financial soundness and effect.

Moreover the large steps which are now being taken under the recent Local Government Act towards securing that responsible Local Authorities shall in future operate over such large areas as to be equipped with adequate financial resources, and adequate official staffs, should tend to the expectation that they will need less organised control from central departments, as they ought to be better able to carry on their work of local government.

As a peroration I will, without adding any dots or i's, use these words taken from the official Memorandum of the Evidence offered on behalf of the Ministry of Health to the Royal Commission on Local Government by the first witness, our friend Dr. I. G. Gibbon :--

"A central department accumulates a very wide range of experience and information in the course of its ordinary work; and it can render no more useful service to Local Authorities than to place this experience freely at their disposal, preferably in an informal manner, especially if this advice is backed up by a sound and easily comprehended body of statistical information. It cannot be too strongly emphasised that the friendly interchange of views between central and local officials is essential if the best results are to be obtained."

"There is a further consideration which, at bottom, may be more important than any of the others. The measure of responsibility is largely the measure of good government; and the question may well be asked whether the need is, not for more control, whether by County Councils or Central Departments, but rather for such an organisation of local government as will render possible a more liberal breadth of power and discretion to the Authorities on whom the primary burden of administration falls, and whether this is not the only way in which the development of local public spirit which is so much needed, can be effectively secured."

# The Future of Public Administration

By I. G. GIBBON, C.B.E., D.Sc.

[*Summary of an Address delivered before the West Lancashire, West Cheshire and North Wales Regional Group*]

1. Public administration is not up to the needs of modern conditions.

To avoid misunderstanding, let me make it abundantly clear right at the outset that I fully recognise, and am proud of, what has been and is being achieved in public administration; but I am looking to the future, to the much more that is needed and can be accomplished.

Industrial organisation is in a ferment. Rationalisation and other forces of awkward names are stirring the air. Leaders of industry have been roughly shaken out of complacency. There is a new outlook; the gods of old no longer satisfy.

In public administration also there is need of a new outlook, need to bring organisation and methods to the level of modern conditions, need to realise that the ways of yesterday do not suffice for the problems of to-day.

I can well conceive of some future historian of Local Government saying that, while the duties of public authorities had been revolutionised and a new world brought into being, the methods of public administration were still of the old world, that ways of rule of thumb developed in days of simple duties were too much followed, and that, while public administration had many notable achievements to its credit and had attained a high standard in its class, it was yet far from that precision and sureness of technique required for the new age.

2. A large contribution to the advancement of public administration must be made by officials in the coming years if they are to rise to the measure of their opportunities.

This is our duty to the public service. It is from officials in the main that the desired advances in public administration are to be expected, at least the first advances. Members of public bodies and

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students of public affairs will also contribute, it is highly desirable that they should, the last thing to be sought is a purely officialised technique, there is too much danger that it may become sterile; but their opportunities are necessarily much less.

This is purely a matter of business organisation. It has nothing to do with the heights and depths of Party politics. It is equally important for all creeds.

When talking of adding new members to the Institute, I frequently find the question asked—well, what advantages are obtained from membership of the Institute?

There is some excuse for this question from junior members of the public service. But to senior members in particular I would make this plea, that this is the wrong attitude of mind, that it is a primitive outlook, that rather what they should put to themselves is whether they can decently hold themselves aloof from the one body which is devoted to the study and advancement of public administration in its broad aspects, if indeed they regard their work as something more than merely a means to a livelihood.

In this country up to the present there has been singularly little deep and systematic investigation of the problems of public administration. Indeed, in not a few quarters it is not considered that there are any new worlds to conquer; many still have the naïve outlook that there is nothing to study, that public administration depends on personal qualities and the light of nature.

I am not unmindful of the excellent work which is being done by the various professional organisations of officials, local officials in particular; I have reason to be familiar with their splendid labours in raising the standard of service.

But this is not enough, just as it is not enough to be learned about eyes and ears and hands and feet, the body as a whole must be known; public administration as a whole requires to be studied. Indeed, without this corporate knowledge, improvements of parts may be positively harmful, just as particular improvements in communications may give rise to more problems than they solve unless properly related to needs as a whole.

3. In competitive business the need of improvements is pressed home by the struggle for success, even for existence; in public administration, the urge for advancement must come more from inside, from that zest for improvement, for more precision and for progress, which should be the quality of an age when new conquests in knowledge and in material circumstances are of daily occurrence, and when new demands for public service are insistent.

The absence of competitive pressure makes it the more important that there should be a real drive in public administration for the

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advance of technique, that a keen spirit of emulation should prevail among officials.

The human being is so constituted that, given a definite job of work to do, he usually becomes genuinely interested in it quite apart from the reward. In public administration a double dose of this temper is needed, of the spirit of the scientist to whom the solving of his problem is his preoccupation, the same reaching forward for new worlds to conquer, not for the gold which they may contain but because of the urge to overcome the unknown. There is plenty of that spirit abroad, even to-day when there is so much to damp it. Most young men possess it, and its growth depends on how it is fostered. It is the middle-aged and old that develop knots of cynicism.

There is need in public administration to shake the complacency which too often prevails in the good that exists and to sow a desire for the better that can be achieved. This among members of public bodies as well as among officials, because, in addition to the contributions which they can themselves make, and those are many, it is upon their attitude, their measure of encouragement, that the crop will largely depend.

With these general comments, I will pass to consider some of the changes which may be expected in the coming years, emphasising once more that it is the general outlook that counts for most, that this is the soil which will determine what manner of harvests will be reaped and their measure, rich crops for the nourishment of strength or miserable rations on which man can only just keep abreast of circumstances, perhaps not even that.

4. One of the most important problems of to-day is the relation between the public authority and its officials.

On the one hand there is the demand for effective control. On the other, there is the growing necessity for the expert, to which is added the increasing pressure of work on public representatives. How to harmonise these, to many, irreconcilables?

The question arises most urgently in local government. Committees generally tend towards too much detail, tend to do work which would be much better left to the expert.

This problem is the reason for the interest in the City Manager system, which is the most modern attempt to solve it. The continued spread of the system in the United States is significant, and it has now extended to Ireland.

The system would jar with our present traditions; but it attempts a solution for a problem which it is foolish to ignore, which is ours equally with that of other countries. We have to develop a technique

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of administration which will give the representative body not only firm control of policy, but effective means of securing that the policy is carried out, while at the same time providing for the expert that freedom in which alone the best work can be achieved. We shall no doubt work out our own system, in harmony with our history and traditions; it can be done, but we must not be too slow about it.

5. Specialisation of function goes on apace; means of integration lag behind.

On the official side, new professions keep budding; in the medical sphere, for instance, the school doctor, the tuberculosis officer and others; and the same process is proceeding in other spheres. New limbs are developed, both from the main trunk and from the branches. This is but a response to modern conditions, where growing specialisation has become essential for economical and efficient function.

But this specialisation, necessary as it is, may lead to disaster unless it is integrated by intelligent general control, and here is where we lack. Specialisation is almost an automatic response to circumstances; integration calls for more deliberate contrivance.

There is room for more systematic general control in central administration; in local administration it is scarcely exaggerating to say that the necessary organs have scarcely yet begun to grow, apart from the general control of the Council, and this is not enough. We are still too much at the centipede stage of development, too much where organisms are just brought together, not enough where organs are specialised and closely integrated.

This is true on the lay as well as the official side. Measured independence for committees or for officials is a condition of efficiency, and there will probably have to be far more definite delegation to committees if the work of Local Authorities is to be well and readily accomplished. But the whole machine must work to a common purpose, and for this there must be definite general control.

The City Manager system is designed also to meet this difficulty. The theory of the system is that responsibility for administration is concentrated in the City Manager, who is subject to a Council which is much in the position of a board of directors that sets the policy and exercises general control. This, as I have indicated, may not be our way of salvation; but the task then lies before us of finding some other equally effective way by which the whole work of a public authority, with all its specialised branches, shall be integrated, all committees and departments welded to a common purpose, the several functions finely harmonised, and, not least, definite means

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devised by which measures can be taken betimes for future needs and policy, practice directed by long views.

6. Far more adequate tests are required of the work of the administrator.

As already stated, public authorities have to use the expert more and more. Now the ordinary man has a healthy distrust of the expert, looks upon him as a bit of a necromancer with intentions not always to the patient's wishes. This feeling of mystery and stubborn distrust is one reason why the layman likes to keep a hold, sometimes a stranglehold, on the expert.

For the best results the expert must have liberal freedom; but this can be bought, should be bought, only at the price of placing in the hands of his masters effective instruments of control and of judging results. Administrators should set themselves more vigorously to the task of devising these instruments.

On the financial side, there is no longer any legitimate excuse. Costing, simple but adequate, should be a normal incident of every branch of service. Pleas of difficulties should be met by a hardened negative.

Far more troublesome are tests other than financial, plain and sufficient criteria by which the layman can judge of results, unit figures of efficiency as methodically and impartially produced as unit figures of cost. Utterly utopian, many will say, except in a few obvious spheres; but so have men said of flying, of splitting the atom and a thousand other things. They have to be devised if administration is to be other than empirical.

7. Far more systematic measures for research should be adopted.

Industry is becoming awake to the need and value of systematic research. Many companies spend tens of thousands of pounds a year on it. Public administration is still almost asleep to the need, the need of research into public administration itself, its organisation and methods.

The State has established a Medical Research Council and a Department of Scientific and Industrial Research. No one has suggested a department for administrative research; but it may hold as rich a reward. Hitherto little has been done for the discovery of the gold except some surface washings—little hard mining.

The general methods of administration, the committee system and its ways, the relation of the official to his committee, are much the same as they were two generations ago. All are accepted too much as though they were laws handed direct from heaven to some Moses on the sacred mountain.

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It is not sufficiently realised in what a changed, and changing, world we are living. There is not enough of the spirit of reform, of fresh adaptation to new conditions and new needs. The administrative street is too often crossed at the leisurely gait of the days of the horse.

If administration is to keep pace with the times, if it is to rise to the demands for public service, if it is to attain the highest level of achievement, there must be more systematic means of extracting the lessons of the rich experience that is available, and more definite measures for pure research. And not least among the first needs is a far wider recognition among public servants of this fact.

8. I have only just touched on a few of the problems before public administration, problems, let me again stress, not of Party controversy, but purely of business organisation and method. They could be multiplied.

The man of forward mind who surveys the land, however greatly he may be impressed, and rightly impressed, with the much that has already been achieved, will be far more impressed by the much more that is possible. There are whole continents still to be achieved.

This is as it should be. Public administration is a living branch of service; its province is life, which is change. It will not do to run in a groove; new ways have to be cut, and the old ways improved. As I emphasised at the beginning, it is the general attitude that counts for most, whether there prevails the temper of mind eager for improvements, quick to strive forward for their achievement, and its cultivation should be one of the principal objects of the Institute.

# The Present Phase of the Housing Problem in London

By E. M. DENCE

Chairman, L.C.C. Housing Committee

[Paper read before the Institute of Public Administration,  
21st November, 1929]

*Synopsis.*—The Annual Housing Requirements of London; Progress Since the War; The Future Provision of Working-Class Houses (Local Authorities or Private Enterprise); Overcrowding; Rents; Slum Clearance; Town Planning; Towns *versus* Housing Estates; Some Local Government Problems involved.

## *The Annual Housing Requirements of London.*

In July, 1924, the L.C.C. Housing Committee submitted a report to the Council on the Housing (Financial Provisions) Bill, 1924. In that Bill the number of houses proposed by the Government Scheme in Great Britain would in ten years amount to one and a half millions. London's proportion of that amount was approximately 10 per cent., that is 150,000 houses. The Housing Committee made their own estimate of the number of houses required in order that every family shall be decently housed. They reported that they had made an examination of the situation as far as possible, and with all reserve, and without desiring that it should be taken as an accurate computation, they presented the following estimate of the position:—

<i>1. To meet normal growth—</i>	<i>No. of houses</i>
For Greater London the figures available indicate that the number of working-class houses required annually is about 12,500. The County of London's share of this on a population basis of say 60 per cent. ... ... ... ...	7,500
<i>2. To make good shortage and provide a small margin—</i>	
Estimate for Greater London, 60,000 working-class houses. The County of London's share of 60 per cent. i.e., 36,000. To make good in 10 years requires annually ... ... ... ...	3,600
<i>3. Clearance of insanitary areas—</i>	
Number of houses to be provided annually to finish schemes approved at that time ... ... ...	500
Carried forward ...	11,600

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	<i>No. of houses</i>
Brought forward ...	11,600
4. <i>Overcrowding</i> — To abate all overcrowding in London in excess of two persons per room, making allowance for children as in the Council's regulations, would require about 20,000 houses. To make some contribution towards this, annually ... ...	1,000
Total annual requirements ...	<u>12,600</u>

Estimates made by other authorities, such as the Surveyors' Institution in 1916, the Advisory Housing Panel of the Ministry of Reconstruction in 1917, and the Tudor Walters Committee in 1918, closely conform to the figure of 12,600 per annum for the County of London.

### *Progress since the War.*

Since the War over 200,000 houses have been built in Greater London, of this number over 70,000, with the assistance of State subsidy, have been built by local authorities. Of these, 34,000 have been provided by the London County Council, 10,000 by metropolitan boroughs and 26,000 by the Outer London authorities. In connection with the work of the metropolitan boroughs it must be remembered that 24 out of the 28 county boroughs in the County of London have practically no land upon which to build, and moreover none of them has powers (except with the consent of the Minister of Health) to purchase land outside their own areas. They have also done good work in re-conditioning houses under Part I of the Act.

There would be advantage if more extensive arrangements were made for exchange of tenants between the London authorities owning houses. The position is that the boroughs are compelled from the force of local circumstances to house only their own residents. The L.C.C. on the other hand cannot work in watertight compartments. If Wandsworth have a tenant whose work is in Greenwich and if Greenwich have a tenant who works in Wandsworth, surely it would not be unreasonable to arrange an exchange, provided, of course, each was a satisfactory tenant and that the authorities were not involved in extra expense.

In addition to the 70,000 dwellings provided by local authorities 3,425 houses and tenements have been provided by Housing Trusts and Public Utility Societies. The London County Council is very glad of this contribution and is ready to give these bodies all the help and encouragement which it can render.

It is therefore from no lack of respect for the great work accom-

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plished by those other authorities that I confine myself to particulars of the L.C.C. schemes.

Of the largest L.C.C. estates, Watling, with 4,000 houses, is finished, and Downham, with some 6,100 odd, is nearly completed. At Becontree, where there are some 17,400 houses completed, we throttled down for a short time to afford an opportunity for the estate to settle down, and for industry to catch up to our rapid development. At one time in the early months of 1928, we had as many as 600 houses waiting for tenants, but the position since then has entirely changed, and we now have only about 30 houses vacant each week, due chiefly to changes in tenancies. That is equivalent to one empty house in every 580. There is now a waiting list of some 5,000 applicants for the Becontree houses. We have opened the throttle again full notch.

At St. Helier, where there is room for about 9,000 houses, we shall soon be in a position to deliver houses in considerable numbers.

In July, 1928, the Council turned its attention to the provision of housing accommodation in, or near, the central areas of London. My Committee defined the central areas as coming within a radius of four miles from Charing Cross, and embracing about 50 square miles. The outer ring has an area of 67 square miles. The average density of population for the central areas is 92 per acre and for the outer ring 41 per acre.

The object which the Council has in view is to provide a reasonable amount of accommodation for those people living and working in the central areas of London, who are obliged to reside in reasonable proximity to their places of employment, and are therefore unable to avail themselves of accommodation on outlying estates. Since the cost of acquiring suitable sites would be heavy, we propose to provide accommodation in block dwellings, generally speaking five storeys in height. The Council has, so far, approved 7 sites, the total area of which is about 30 acres, and, if our compulsory orders are confirmed in every case by the Ministry of Health, we shall be able to accommodate about 7,000 persons. Both the first cost and the annual deficiency for this type of accommodation will be greater than for cottages on our outlying estates.

The definite commitments of the Council for new housing accommodation under Part III of the Act amounts to approximately 18,000 houses in addition to some 34,000 dwellings erected since the War.

### *The Future Provision of Working-class Houses (Local Authorities or Private Enterprise?).*

The actual number of houses provided since the War by local authorities in London thus falls short of the estimated requirements. On the other hand, more than 130,000 houses have been provided

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by private industry; it is not possible, however, to say how many of these could be regarded as working-class houses. To the extent that these new houses must have released the older houses the effect of their provision must have been beneficial.

From what source can we look in future to provide the working-class houses which are estimated to be required? I am afraid that I have only one answer to make to this question, namely, that there seems no prospect of private industry at present providing any working-class houses for letting. I believe that during the last century when working-class houses were built, it was not usually the purpose of the builders themselves to build for letting. The building industry provided houses for sale which were bought by investors, and for a long period that class of investment was regarded as sound, and was usually recommended by lawyers to their clients. The position during the last twenty-five years or so seems to have entirely changed. The convenience afforded for the investment of money in industrial shares on the Stock Exchange may perhaps largely account for this, but whatever may have been the predisposing cause, the fact is undeniable that the ownership of working-class houses is not now regarded as a profitable investment. Again, if the building of working-class houses with the assistance of State subsidy and rate aid, is not a profitable undertaking to local authorities, it is hardly to be expected that the building industry will find it worth while to provide this class of property, and we are therefore forced to the conclusion that if the shortage of working-class houses is to be overtaken and in addition provision is to be made for normal replacement and expansion, the work must be undertaken by the local authorities.

It may well be asked "Why is not the L.C.C. arranging to sell to the occupiers the houses which it builds?" The suggestion is one of considerable interest, for if a way could be found for selling a substantial number of our houses, the money would come back to us sooner or later, and provide the means for building further houses. There is nothing in the statutes to prevent those houses which were built before the War, or under the 1919 and 1923 Housing Acts, being sold, though under the 1924 Financial Provisions Act, subsidy can only be received by local authorities, Public Utility Societies, &c., if the houses are built for letting. The real difficulty is that the local authority would be unlikely to dispose of any but a very few houses, unless it were possible to write down the figure of cost to a sum which would leave the tenant little more to pay in outgoings than he now pays in rent.

In this connection it must be remembered that a considerable number of working men have no permanent place of employment

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and they therefore have to follow their work. For this reason, under present methods and conditions they would be unlikely to look favourably upon house purchase unless the conveyance could be rendered both simple and inexpensive.

### *Overcrowding.*

I come now to the subject of overcrowding, which I think has not been controlled to the extent which our housing operations should have made possible. I am quite sure that this was more because of the difficulties inherent in the problem than from the lack of good will.

New bye-laws were framed in 1926, in conformity with the Public Health (London) Act, 1891, and Section 6 of the Housing Act, 1925. The more essential ones affecting overcrowding are:—

#### No. 8:

“A person shall not cause or knowingly permit any room in a lodging-house wholly or partly used as a sleeping apartment to be occupied at any one time by a greater number of persons than will allow 400 cubic feet of free air space for each person.

“Provided that during the period that the Rent Restriction Act remains in force, and for six months thereafter, the number of persons who may occupy any room in a lodging-house, exclusively used as a sleeping apartment, may be such as to allow not less than 300 cubic feet of free air space for each person.

There is a modification of the amount of air space required for children under ten years of age, but for the purpose of the bye-laws, any child of ten years of age and upwards is regarded as a person.

#### No. 9:

“As far as practicable a person shall not cause or knowingly permit persons of different sex above the age of twelve years and not being persons living together as husband and wife to occupy the same sleeping apartment.”

According to the 1921 census, there were in the County of London 683,000 persons living more than two to a room; of this number 370,000 were living more than two but under three per room, 231,000 more than three and under four, 60,000 were living more than four and under five, 15,000 more than five and under six and nearly 6,000 over six per room. To remove all overcrowding above two persons in a room, some 25,000<sup>1</sup> houses might be required. If a higher standard is employed, namely, 1.5 persons per room, the number of four-room houses required would be about 55,000.<sup>1</sup>

<sup>1</sup> These figures are calculated on the total numerical basis; I am afraid the numbers of houses would, in practice, have to be greater, as in single families consisting of odd numbers one person would occupy a whole room.

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Since the War the L.C.C. has provided some 34,000 houses and the borough councils some 10,000. Let us assume that 75 per cent. of the families, *i.e.*, about 33,000, who moved into the new accommodation, came from overcrowded dwellings, and that the average number of persons per family was four and a half. On this basis 148,000 persons would have been removed from the overcrowded dwellings. It happens that the number of persons, who would have to be removed in order that none of the 683,000 persons should be living more than two per room, is about 223,000 persons. If in the case of every one of the 33,000 families the bye-laws had been so operated as to prevent a repetition of overcrowding in the houses which they had left, we should have reduced by nearly two-thirds the volume of overcrowding.

It must be quite obvious that you cannot convict all the owners and occupiers of overcrowded dwellings, at least, until you have been able to come to their help in reducing the number of persons living in the houses, but there is a very clear distinction between the person who break the law wilfully and the other person, who was found to be breaking the law at the date of enactment, and who was helpless in changing the state of affairs.

I am glad to say that some of the metropolitan borough councils are operating the bye-laws, but, and it is a big *but*, they are apparently only being operated, and I believe, in the case of only a few boroughs, to the extent where it is known that families have been removed from overcrowded houses to new accommodation provided either by the Council or the metropolitan borough councils. I have had conversations with several of the medical officers, and I readily acknowledge the great difficulty of the problem which faces them and their anxiety to take every step that is possible towards the abatement of overcrowding.

The first difficulty is to obtain and keep up to date detailed information regarding this problem. This may involve an increase in the number of inspectors. The next step is to make people respect the law. Ample warnings, perhaps by preliminary notices, might have to be operated by degrees, and at all times the public must be possible means, be avoided, but if necessary a reasonable number of prosecutions must be instituted. At the outset the campaign may have to be operated by degrees, and at all times the public must be taken fully into the confidence of the local authority.

Approached in this way it is quite probable that from the administration of these bye-laws new evidence would come which would be most useful as a guide to housing requirements.

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### *Rents.*

We must, of course, realise that a large number of the people who live in overcrowded conditions are among the poorest section of the population and that being so they cannot afford the rent of the normal class of accommodation afforded by the local authorities. The only families who can bid farewell to overcrowded houses are those whose incomes are sufficient to pay the rent of Council houses.

The Council has by two somewhat similar expedients attempted to deal with this problem. The first experiment was the provision of a simplified type of accommodation, namely, block dwellings very similar to the normal type, but with a plainer treatment of elevation, and with the provision of a common entrance for two flats, and a common bathroom and wash-house; otherwise internally the tenements were very similar to the normal type. The other method was in providing a simpler method of finishing off the interior of the normal type of flats. Actually as much floor space was provided, and the same number of rooms, but the fittings and general finish of the interior, while being perfectly serviceable and hygienic, were plainer in character than the normal tenements.

In these modified forms of tenements a lower rent is charged of say two shillings to three shillings per week. While the cost is slightly lower, the saving in itself is not sufficient to justify the reduced rents, and the loss on the dwellings is therefore greater than the loss on the normal type. That is our first attempt, and I am glad to say it is working well, and the poorer tenants are glad to avail themselves of the cheaper if somewhat plainer accommodation.

I hope we shall be able to find still further methods which, without interfering with our standard of rents for normal dwellings, will provide us with the justification for charging lower rents for special types of dwellings, and this is a question which we are studying very closely.

It will be apparent that there are broadly three distinct classes of working-class families requiring accommodation:—

1. There are the families of the skilled artisan, clerk, &c., whose income is sufficient to enable him to pay for the rent of our normal types of dwelling on the cottage estates.

For this section we have a broad range of rents varying from say 12s. to 23s. and provided we can meet the demand, which is still great, I can see no exceptional difficulties from the scale of rents charged.

2. The labourer and other classes of workers in fairly regular employment who can only afford a rent of about 8s. to 12s. weekly.

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For this class of family there is a real and urgent need for dwelling accommodation of a type such as I have mentioned above, with all the privacy and accommodation required for health and decency but lacking some of those amenities which we are able to provide in the higher rented dwellings.

3. The poorest section of the community, including hawkers and casual workers and those who depend to a great extent on outdoor poor relief and for whom (if they are to continue to live as ordinary members of the community) some provision by way of public assistance is necessary.

While the L.C.C. realise that practically all the working-class accommodation, which is at present being provided, is subsidised, it appears to them it is a sound principle that, so far as is reasonably possible, the character of the accommodation provided should be graded to meet the needs of the different incomes. When you go below a certain limit of income there must be a point where you reach the stage of public assistance.

In this connection I should like to suggest, though I cannot here develop the point in detail, that benefit would be derived from greater flexibility of the State subsidy. The present subsidy of £7 10s. a house is applicable to every size of house which fulfils the special conditions. The minimum area is 550 (in some cases 500) superficial feet and the maximum 950 superficial feet. The result is that for large houses only a relatively small subsidy is granted and for small tenements or flats, which should be useful for aged couples or two other persons, no subsidy is paid.

### *Slum Clearance.*

There are two main contributory factors which go to make up the slums of London:—

1. Insanitary property for which there is no remedy but demolition.
2. Overcrowding of houses, which, but for that condition, might, when suitably reconditioned, provide decent habitation for single families, until such time as they can if necessary be the subject of replanning and rebuilding.

At the present time schemes have been approved for dealing with 26 areas, covering about 112 acres, and involving the displacement and rehousing of close upon 31,000 persons. My Committee, after a careful review of the whole circumstances, recommended the Council in July, 1929, to adopt a programme embracing practically the whole of the remaining insanitary areas, which were the subject

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of official representations by the medical officers in the respective districts. The Council approved these proposals, and there is now added to our former commitments about 25 to 30 areas, covering about 95 acres, and involving rehousing provision for about 30,000 persons. These areas will become the subject of improvement schemes, which we shall bring to the Council over a period of five years. By the time the last scheme in the programme is brought to the Council many of the earlier ones will have been completed or well on the way to completion.

The Council is anxious to press forward at all possible speed with these improvement schemes, but I would like to make it clear that many of us are not at all happy on the incidence of the existing basis of compensation. At present we are not able to pay compensation for trade disturbance when such property is marked for demolition, and many of us think this is a real hardship which should be remedied. I think it is sufficient to remind you that both the late Prime Minister and Mr. Neville Chamberlain foreshadowed further legislation which would remove some of the hardships.

Dealing with insanitary property itself, it seems obvious that some different basis of compensation must obtain as between insanitary property, which is dangerous and injurious to the health of the persons living therein, and property required for road improvements or education purposes. Both kinds of property may have to be purchased by compulsory powers, but about the latter there is no taint. Between the different owners of insanitary property, the land-owner receives the market value for his land, less a certain reduction factor, though all the property in an insanitary area contributes to its condition in a greater or less degree. The owner of a house which may not be damp or decayed gets no compensation because the house contributes to the features of narrowness, closeness and bad arrangement, and thus is one of the causes of want of light, air and ventilation. The evil seems therefore to be not alone confined to the bricks and mortar but to the manner in which the land was permitted to be planned. It should be possible by taking the relative market value of the premises and reducing the same by a flat rate deduction to provide a more equitable basis of compensation than that now in force. On some such basis the owner of the damp, worn-out old wreck of a house would get any value which he could prove it was worth in the open market, less the flat rate deduction; while the owner of the building, which in itself is not damp or worn out, would also get the market value, less the reduction in the same ratio.

That new legislation is required to simplify and accelerate the work of slum clearance is acknowledged, but I think no legislation

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can be complete unless the distribution of compensation is rendered more equitable.

### *Town Planning.*

The area of the County of London is approximately 117 square miles, equal to 74,850 acres. It is to all intents and purposes built over if you except (1) the public and private spaces, cemeteries, &c., which are out of bounds for us, and (2) the comparatively small balance of undeveloped land which remains in the confines of four metropolitan borough areas. The area of the five town planning schemes is 19,000 acres, of which 10,764 acres are scheduled for residential purposes. Of this amount, a considerable area consists of houses standing in large gardens. The zoning of this residential area extends from two to twelve houses per acre. While it is within the power of the Council, subject to the consent of the Ministry of Health, to alter this zoning in the town planning scheme, it is improbable that this could be permitted to any considerable extent.

The area of land reserved under the scheme for houses of twelve to the acre is 3,830 acres, but it must not be assumed that the whole of this area is entirely suitable for the provision of working-class dwellings. One principle of town planning is that you can more easily zone down in density than you can zone up. In other words there is nothing to prevent the building of six or eight houses on land zoned for twelve to the acre, but if you want to move up from eight to twelve you must make your peace with the town planning authority. Again, it would be possible, by building higher, to provide more than forty dwellings to the acre and yet not cover as much land as would be occupied by twelve two-storey cottages to the acre. In my view there is a limit in the number of persons it would be wise to accommodate on any new scheme of development. I could not contemplate, for instance, taking a large area say of 50 acres of land and building at a density of anything approaching 48 tenements on every acre.

The growth of London, if it is not limited in its outward direction, is at least limited in the density of population which may be allowed for reasons of safety and health on any square mile of land, but this must be dependent on the control which local authorities exercise over their town planning ordinances.

### *Towns versus Housing Estates.*

*Cost of Building.*—It is, of course, apparent that not only is the cost of land higher in and around London than prices for land in and around provincial cities, but cost of labour and materials is also generally much higher. The cost of providing dwelling accommo-

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dation in London is probably higher than in almost any other part of the Kingdom. The standard of rents in London is also higher than in other cities. The relationship between cost of building and rents is generally proportional wherever assisted houses are being built, and the loss on the rates, after allowing for State subsidy, is generally £1 or so above the statutory amount, namely, £3 15s. There is in London another reason why the cost of houses on some estates far exceeds the costs we hear of in some of the provincial towns. Let us take two cases. An estate, we will say on the outskirts of a provincial city, consists of about 500 houses; its area may be about 50 acres, situated partly on some existing road frontage where drainage facilities are in being. Provided the site is fairly free from troubles due to sub-soil, gradient, &c., and transport facilities are fairly satisfactory, the cost of development is practically limited to the provision of a few roads and the necessary sewers to connect the system in the existing roads. There is not usually the necessity to provide parks, woodland belts, large recreation grounds and other features. Probably one good recreation ground for the use of the children and other inhabitants would be sufficient for the needs of the estate. The general amenities are more likely to be found or provided around the estate than within it, so that the problem of the authority is simply that of building the houses after the roads have been formed and the sewers laid. The case is very different on a great estate consisting of 3,000 houses and upwards. You are in such case really building a town, and your costs are increased by such problems as main roads and main drainage, parks and open spaces, sites for churches, schools, cinemas, shops, &c., and railway communications into the estate for the handling of goods. A private builder in any urban area cannot, under modern conditions of control, commence building on any land until *there is provided for him* reasonable drainage facilities to which he can join the drainage system from his houses.

It is one thing to speak of mass production when making gas mantles or pencils, but quite another thing to reap the economical benefit of mass production by the building of great estates. I will give one or two examples to illustrate my meaning. On the Downham Estate we are setting apart somewhere in the region of one-tenth of the total area for parks, playing fields, &c. We offered the open spaces as a free gift to the local authorities, who refused them. We are now faced with the expenditure of providing railings and for putting the land in a fit condition to hand over for maintenance by the Parks Committee. Again, the public expect that local authorities will save every tree possible on the estate. Not only is the lay-out thus rendered much more difficult, but certain choice

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strips of woodland, together with all the trees thereon, must receive careful treatment, all of which is a costly operation. The drainage facilities for 6,000 houses not only involved the provision of 9-inch, 12-inch and 15-inch sewers, but something much larger had also to be provided for connecting up to the main drainage system. A stream runs through the estate and must be confined to its banks. Some thousands of pounds were spent in this operation. Since the estate is in reality a town, sites must be reserved for social and civic purposes. In the ordinary course, where private industry building is concerned all this kind of expenditure is borne by the local rates over an area extending far beyond the estate, the builder or purchaser of the houses having merely to pay for the cost of the houses and land, plus the charges for making up the road.

Our costs at Becontree are very favourable, but they would have been much more favourable if the actual cost for the provision of the land, houses, roads and sewers had been kept entirely apart from the cost of all the other matters which go to make up what is now a large town.

### *Some Local Government Problems Involved.*

There is one other matter which can properly take its place in the present position of the housing problem in London, namely, that of administration, but in presenting the facts to you I cannot say that I can point to any method of simplification. Wherever the London County Council decide to build an estate they are actually building in the area of some other local authority. Within the County our estates are in some or other metropolitan borough; without the County we may be in a borough or an urban area. According as our estate is in the area of this or that authority, we have varying conditions to contend with as affected by education, main drainage, parks and open spaces, electric lighting, gas, the collection of rates, the standard of specification for building, road construction, and so forth. If in the County of London we may, as in the case of Downham, be in a position to arrange for an extension of transport facilities, but outside the County the matter is entirely beyond our control.

Let me now take a case of a provincial city. I believe, usually, all these services, with the exception sometimes of gas, electricity and water, are under one and the same control. The problem, therefore, of the local committee and council, and of its officers, is one of relative simplicity in comparison to the problem which confronts the London County Council at every turn.

I hope I shall not be misunderstood in making this statement. We work in the most friendly relationship with, and receive the

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greatest possible help from the Ministry of Health. I look upon that great Government Department as in the position of a mother, who, if she regards us as one of her big children, sees to it that we are not placed in the position of having all our work thrown out of gear by a smaller brother if he should choose to be troublesome. Difficulties however do and I suppose must occur where two authorities endeavour to maintain their own points of view. In all my experience, in spite of differences of opinion which may be perfectly justified according to the local circumstances, I have found hearty friendship and ready co-operation extended by both members and officials, not only in the metropolitan boroughs, but in the authorities of the surrounding districts of London.

It has been my experience, in fact, that there are very few of the members of the London County Council or of the many other London authorities who are not enthusiastic housing reformers, determined to grapple with the difficulties of the problems as they meet them. It is their policy to work for the complete removal of the reproach of the slums and the evils of overcrowding.

# An Analysis of the Unemployed

By H. C. EMMERSON

[*Paper read before the Sheffield Regional Group of the Institute of Public Administration on 28th October, 1929*]

YOU will notice that my subject is the "Unemployed" and not "Unemployment." While the causes, the prevention and the cure of unemployment remain the subject of endless debate and speculation, the study of the problem of the unemployed has been greatly advanced in the last few years as a result of the experience and knowledge obtained through the administration of unemployment insurance.

The Unemployment Insurance Acts provide for the compulsory insurance against unemployment of substantially all unemployed persons between 16 and 65 years of age, excluding those in domestic service and agriculture. Every unemployed insured person who wishes to claim unemployment benefit must register at an Employment Exchange. In addition a considerable number of persons who are not insured, or, being insured, are not eligible for benefit, register at the Exchanges; there are about 180,000 of these included in the weekly figures. You will see therefore that since the distribution of money depends upon registration, the count is a very accurate one and tends to be inclusive. It is important to bear this in mind in any comparison with other countries or with pre-war conditions in this country, and also to remember that there has been an increase of at least 700,000 in the numbers of insured persons in employment in the last five years. Unemployment is not a new phenomenon. Its causes lie deep rooted in industry, but it is only within the last ten years that we have approached accurate measurement of its dimensions.

Let me take the approximate figures of those unemployed. On 23rd September there were nearly 1,170,000 persons unemployed,

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or about 10 per cent. of the insured population. They consisted of :--

890,000 men ... (about 76 per cent. of the total),

206,000 women ... ( „ 18 „ „ „ ),

67,000 juveniles ... ( „ 6 „ „ „ ),

and included 42,000 uninsured persons.

These proportions have been more or less constant over a period of years. The percentage of unemployment amongst insured men was 11.4, among insured women 7.8, and among insured juveniles 3.1. The problem of unemployment is then most serious in the case of adult men. Of these, 73,000 were persons who are normally in casual employment; they were unemployed on the day the count was taken but many of them would undoubtedly be in employment on other days of the week. Dockers for example are in this class. They are engaged mainly on a daily or half-daily contract, and they register at the Exchange on any day they are unemployed. This enables them to qualify for benefit if they are unemployed three days in any six consecutive days. Again out of the total figure of 890,000 men, 174,000 were suspended from work through one cause or another, and expected to resume work with the same employer within six weeks or less. The persons in this group include those who are working on a short time basis and those who are not working because of bad weather, or shortage of materials, or because of a breakdown of machinery or similar causes. The remaining 642,000 were wholly unemployed.

It will be plain that it is this group of "wholly unemployed" men who are the main problem. They are neither casual workers who happen to be unemployed on the day the count is taken nor are they suspended from work because of short time or some similar cause.

The question that naturally arises is what kind of persons make up this group. Are they in any one trade or group of trades or are they distributed throughout industry? What is their geographical distribution? Are they mostly the same people drawing benefit month after month, year after year; in other words, a standing army of chronic unemployed? If, so, are they industrial derelicts who exist on public funds?

First of all let us consider the distribution of the unemployed by their industrial classification. It is common knowledge that changes have been taking place during the past few years in the geographical distribution of the insured population and that the centre of gravity of industry has been moving south. During the last six years, while there has been an increase of 8.0 per cent. in the insured population of Great Britain, the percentage increase in the south has been 13.5 as against only 3.4 in the north. Changes have also taken place in

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the numbers of insured persons in different industries. It is estimated that there have been the following approximate reductions in insured personnel between 1923 and 1929:—

Coal Mining	...	...	...	...	...	...	131,000
Metal Manufacture (Iron and Steel, &c., including							
Pig Iron)	...	...	...	...	...	...	30,000
Shipbuilding	...	...	...	...	...	...	56,000
General Engineering	...	...	...	...	...	...	55,000
Cotton, Woollen and Worsted	...	...	...	...	...	...	25,000
Total for these Industries	...						297,000

It must be remembered also that these groups of industries contain a large proportion of the total insured population. The following figures show for 1923 and in 1929 what proportion the insured persons in these industries bore to the insured population as a whole:—

		1923.	1929.
Mining and Coke Ovens	...	11.9	9.9
Textiles	...	11.4	10.9
Metal Trades (including Engineering, Vehicles and Shipbuilding)	...	19.2	17.6

These are the older export industries. They were adversely affected by the war, in two ways—as Professor Clay points out in his recent book on “the Post-War Unemployment Problem”—firstly by the uneconomic expansion induced by the demand for munitions; and secondly by the check to the normal process of adjustment to changing world conditions. Since the war they have been further handicapped by the deflation of prices without a corresponding reduction in costs. In September, 1929, there were in the principal export trades about 486,000 unemployed persons of all categories or more than one-third the total number of unemployed.

Coal Mining	...	...	...	...	...	...	162,000
Metal Manufacture (Iron and Steel, &c.)							
Shipbuilding	...	...	...	...	...	...	53,000
General Engineering	...	...	...	...	...	...	51,000
Textiles (excluding Silk and Artificial Silk)	...						58,000
							162,000
							486,000

(The textile trades alone were responsible for over 40 per cent. of the total unemployment among females.) In addition to the above there were—

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102,000 unemployed in Transport Industries (including 49,000 in the Dock, Harbour, River and Canal Service).

and 121,000 in Building and Public Works contracting.

These two groups added to the others account for over 700,000 persons or nearly *two-thirds* of the whole number of unemployed.<sup>1</sup>

Now let me take the geographical distribution. It is of course to be expected in view of the foregoing that unemployment is most severe in areas devoted mainly to export industries. The insured population of Great Britain is approximately 12 millions, of whom rather more than one-third are in the northern counties of England, and a little less than one-third in London and the southern counties. (Scotland has one-tenth, the Midlands about one-seventh and Wales about one-twentieth.) Although the northern counties only have one-third of the insured population they have the burden of about one-half the unemployment. London and the southern counties have less than one-fifth of the total number of unemployed.

Let us examine the position a little more closely. In the counties of Buckinghamshire, Bedfordshire, Hertfordshire, Middlesex, Surrey, Sussex and Wiltshire with a total insured population of 762,000 the unemployment rate in the middle of September was under 4 per cent.

<sup>1</sup> *Unemployment and the Export Trade.*—It is of interest to speculate to what extent the unemployment problem in this country would be relieved if our export trade were to be restored to the volume it attained in 1913, the record year. The materials for solving the problem—so far as it is capable of solution by purely statistical methods—are to be found in the data available from the Census of Production. The most important qualification to the application of this method is that it takes no account of existing under-employment (or short-time working) as distinct from unemployment, but assumes that an increased production of, say, 10 per cent. would cause a proportionate increase in numbers employed.

Let us look at those trades in which it is well known that the existing lack of employment is closely connected with the falling-off in the volume of exports as compared with 1913.

First coal. It may be roughly estimated that the expansion of the exports from the 1928 to the 1913 level might find work for some 85,000 persons on the basis of the 1928 output per head.

Cotton. In 1928 our exports in this group were rather less than two-thirds in volume of what they were in 1913, apart from any improvement in the quality of the exports in each grade, which is of course not capable of measurement. The export market is of far greater importance than the home market and its restoration to the 1913 level might provide employment for up to 135,000 additional workers. In this case, however, the qualification about under-employment is of great importance, since existing staffs if fully employed might provide a large part of the expansion of exports.

In the Wool Textile Industry it may be similarly estimated that a return to the 1913 volume of exports might provide employment for up to 55,000 more persons.

By applying similar methods to other branches of industry, it may be estimated that up to 175,000 extra persons might be brought into employment in those branches if the 1928 exports were to regain the volume attained in 1913.

We thus get a grand total of about 450,000, which might be brought down to a figure of, perhaps, 300,000 if account is also taken of the resulting full employment of persons now employed part-time.

No attempt can be made here to estimate the increased employment that would result indirectly from the increased spending power of the workers directly concerned with the production of goods for export.—EDITOR.

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Among the individual towns there were some 70 in those counties with less than 5 per cent. unemployment, for example, Watford, 2.4; Oxford, 4.1; High Wycombe, 1.0; Slough, 4.8. Greater London, with an insured population of over two millions, had 4.6 per cent. of unemployment. At the other extreme were counties like Northumberland which, with an insured population of 207,000, had 14.6 per cent. of unemployment; Durham (405,000 insured) 15.6 per cent.; Lanarkshire (494,000 insured) 14.3 per cent.; Monmouthshire (102,000 insured) 23 per cent. and Glamorganshire (340,000 insured) 20 per cent. Individual towns showed such high rates as North Shields, 22.6 per cent.; Pontypridd, 44.4 per cent.; Merthyr Tydfil, 45.8 per cent.; Jarrow, 33.1 per cent.

Thus unemployment varies in intensity according to industry and according to locality. But this does not mean that these are two distinct and separate factors of distribution, for industries are themselves so localised, especially the major export industries, that a boom or a slump in an industry will automatically spell a boom or a slump in certain localities. Further we see that while large numbers of the unemployed are clustered in what have been called "black spots," there are large areas of the country in which unemployment is relatively low and compares not unfavourably with the position in pre-war years.

Granted all this, it might still remain in some measure true that among those who register as unemployed and remain as persistent recipients of benefit are a heavy proportion of industrial derelicts and virtual unemployables. We have looked into this in the course of special investigations into the personnel of the unemployed. The Unemployment Insurance Acts prescribe that only persons who are "capable of work" can receive benefit; so it is unlikely that there are any obvious "unemployables" among those in receipt of benefit. Interviewing officers were asked to judge and record whether any were "verging on the unemployable" by reason of physical or mental deficiencies. In April, 1927, of the persons interviewed only 2 per cent. were so recorded. This is the third occasion on which that particular assessment has been made; the second and third times it was made on a sample composed almost wholly of different individuals; and the proportion has each time ranged around 2 or 3 per cent. Instructions were given that the term "unemployable" was intended to include any person "whose industrial value is so low that an employer would never select him for a job unless no other applicant was available and the work had to be done at once, i.e., that an employer would only engage him in the last resort, if at all." The detailed analysis shows that nearly three-quarters of the 2 per cent. were people over 60, and that very many of them were suffering

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from some physical impairment which made their chances of re-employment not very good. They would appear to be in large part oldish people who after long and steady service with some employer had lost their jobs and had little chance, at a time of industrial depression in their localities, of getting others. The 1927 inquiry showed also that—

66.9 per cent. of the persons interviewed would in normal times usually be in steady employment.

21.9 per cent. were persons who, though not usually in steady employment, would in normal times obtain a fair amount of employment.

4.9 per cent. were persons who would not, in normal times, obtain a fair amount of employment but who were not considered to be "verging on the unemployable"; and

4.3 per cent. were persons who could not be placed in any of the above categories.

Another question is whether the unemployed are a "standing army" consisting of the same people week after week and month after month, or whether the personnel is constantly changing, and, if so, at what rate. To the main question an answer can be given without hesitation: there is not a "standing army" of 1,000,000 unemployed; their personnel is changing all the time. Every week that passes men and women are coming out of work and other (or the same) men and women are going into work. There is a constant considerable change-over at nearly all Employment Exchanges. That is quite certain and definite.

But when one proceeds further to the question of the *rate* at which the personnel of unemployment changes the answer is immensely more difficult. At first glance it seems simple enough. Imagine going one Monday morning into an Employment Exchange which is typical of all the Exchanges and which has a steady register of 100 people. With our present object in view we should memorise the 100 individuals. On the following Monday we go again. There are still 100, but some of last week's people are gone and newcomers are in their places. We should note that. On the next Monday there would again be changes, but they would be much more complex. Among those who had gone would be one or two who had appeared for the first time the previous week, and among those who had newly arrived would be one or two who had been present on our first visit but not on our second. On the fourth Monday the complications of "in and out" would have gone, even with only 100 people, beyond the powers of mortal memory. By the tenth Monday we should have noted a bewilderment of "in and out" which would

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strain not only memory but written record. By the fifty-second Monday we should be forced to the conclusion that the character of the inflow and outflow we had been witnessing through the year could not be intelligibly expressed in either figure or phrase, but could only be suggested by a few cross-sections of fact derived from a process like that of taking periodical snapshots of a moving crowd and of measuring certain differences in the composition of the crowd between two of the snapshots.

That is virtually the method of measurement to which we have been driven by the impossibility of devising any other formula of measurement which would be at once comprehensive and comprehensible. We resort to a statement of rather random facts which taken together give a picture of the movement. For example, how many of the million and a fifth in any recent period of one year have been without work during at least seven-eighths of the whole year? At a near estimate rather less than 15 per cent. These are the "hard core" of the unemployment problem, but it goes without saying that the vast majority are located in the industrially depressed towns and mining villages. How many have been unemployed for not more than twenty-six weeks in a given year? At a near estimate 60 per cent. Of these a very large number, probably the majority, again are in the darker places on the industrial map. How many have been without work during not more than three months of the year? At a close guess about 30 per cent. At this point the geographical and industrial areas in which the persons are to be found has probably spread far outside the black spots. They will still be more densely congregated in the industrially depressed counties such as Durham and Monmouthshire, but there will be a sprinkling elsewhere, even in the South-Eastern half of Great Britain. To reverse the manner of statement: Over 95 per cent. of those who are unemployed on any given day have done some work during the previous year, about 60 per cent. have worked during at least half the weeks in the year, and 30 per cent. have been in work during at least 39 out of the 52.

Now look at the matter from the opposite viewpoint. Instead of seeking out the hard core look for the constant inflow and outflow. How many of the million in any one week were not there the week before? Our records show that the number is not far short of 170,000. Some of these will, of course, have been in the count a fortnight, a month, or three months before; but each week, as compared with the week before, some 17 per cent. are newcomers who have lost, or are suspended from their jobs a day or two before, and are either seeking fresh employment or waiting for their old employment to become available.

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The last-given figure may be used as a text for an exhortation to caution. It does *not* follow that because there is a change of 17 per cent. between one week and another, therefore, in six weeks the whole personnel of unemployment changes. There is an upper stratum which changes constantly, but as one goes deeper, which means getting down either to that remnant which in all times and at all places will be the first to lose and the last to get work, or what is much more formidable in present circumstances, to workpeople of all kinds who happen to be in the depressed areas and industries, one reaches strata which are less fluid until in the lowest stratum there is little change in the personnel, even in a twelvemonth. The figures given above cannot be multiplied or divided to yield other figures for other periods. They must be taken as self-contained and non-translatable items of fact.

It has further to be remembered that the source from which changing elements in the million and a fifth are drawn is not the whole twelve million of insured workpeople. There are several millions of insured persons who do not at any time appear as claimants to benefit. At April, 1926, about one-half of all the people insured against unemployment had not drawn any benefit at all since the day they entered insurance. It would be unsound to conclude from this that one-half of the whole body of insured workpeople have never been, *and never will be*, unemployed; for unemployment insurance is young, its lifetime does not yet cover as much as a quarter of the normal working-life of a typical insured person. On the other hand, we have passed in recent years through a period of quite abnormal unemployment. On balance of these two considerations, it may perhaps be that one-third of all the insured workpeople are not likely in practice to experience such unemployment in the course of their working lives as will bring them to an Employment Exchange, though it cannot be foretold, of course, which particular individuals will turn out to have escaped unemployment: that being so, two-thirds of the twelve million are likely to experience unemployment at some time or other in their working lives, and the figures quoted above suggest that of those who are liable to unemployment one in two have, in recent years, appeared at some time or other during any twelve months at the exchanges as claimants to benefit. We have, therefore, on these assumptions, two-thirds of the twelve million likely to experience unemployment at some time or other, one-third of the twelve million appearing at some time or other during any given twelve months as claimants to benefit, and in present circumstances about one-tenth registered at any given date as unemployed.

The conclusions reached as to the composition of the body of a

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million or so persons whose numbers are counted week by week and announced as "the number of unemployed" will be apparent from what has been set out above, but they may be summarised as follows. Post-war unemployment consists of (1) the chronic unemployment among workpeople connected with certain major export industries, and this in general means persons living in certain areas, and (2) the irregularity of employment over a wide part of industrial production which is inseparable from modern industrial conditions. There is a continuous gradation from those who never appear at the Exchanges to claim benefit down to those who appear once or twice in the year, and further down to those who have drawn benefit nearly every week in the year. For the rest, the unemployed are not a "standing army" but are a constantly changing body of workpeople whose composition alters materially from week to week; a crowd which, seen at quarterly or annual intervals, would appear as substantially a quite different group of persons: they are people who have lately lost one job and who will presently get another, people who visit the Employment Exchanges in pursuit of that relief and assistance which the Exchange system and the Insurance Scheme were designed to render.

In general, the unemployed register at any one time consists of workpeople of all ages and of all degrees of physical capacity with widely differing periods of continuous unemployment and widely different expectations of re-absorption into industry. Among this general mass of unemployed persons it is possible, however, to recognise three broad categories, not strongly defined, covering many lesser distinctions, but each constituting a separate problem:—

- (1) The comparatively regular worker who needs, when he is temporarily out of a job, the kind of assistance the unemployment insurance scheme provides;
- (2) The worker who is dispossessed of his trade but has not, as yet, suffered any serious loss of quality as a potential wage earner. His need is for a new opening and a reasonable opportunity to qualify himself for it; and
- (3) The worker who suffers from a comparative ineligibility or incapacity to obtain or retain employment. His lack of quality may be inherent or due to outside causes; in either case he is below the standard required for regular work.

These three classes exist everywhere and in every industry, though the second class is particularly concentrated in the depressed areas dependent upon the export industries.

I have said enough to show that there is the problem of treatment of the unemployed as well as the problem of unemployment. The question that arises is what part can the State play in providing

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remedial measures for the individual who suffers from the risk of prolonged unemployment.

The Unemployment Insurance scheme is clearly the most appropriate form of treatment for persons in the first class I have mentioned, *i.e.*, those in more or less regular employment who suffer from a temporary loss of employment through no fault of their own. There is little chance of deterioration in skill if a man is unemployed for a few weeks between long periods of employment, and it is right that he should be able to insure himself against that risk under a State scheme. Where there is a risk of rapid deterioration due to even short spells of unemployment, the payment of unemployment benefit can be supplemented by appropriate instruction. In the case of juveniles, for example, the Ministry of Labour with the co-operation of Local Education Authorities, has set up a large number of junior instruction centres, the object of which is to maintain and improve the general employability of boys and girls 14 to 18 years of age while they are out of work.

The appropriate treatment for the second class is not so simple. In many cases, persons who have no prospect of further employment in their own locality or even in their own occupation have exhausted their title to benefit under the ordinary conditions of the Unemployment Insurance scheme. The Ministry of Labour can and does assist persons in this group, as well as some of those in the third group, to rehabilitate themselves by giving facilities for the transfer of themselves and their families to employment in areas where industry is developing. Further, the experiment was made in 1925 and has since been continued of establishing training centres where young unemployed men who have had no opportunity of learning a trade can receive training which renders them more readily adaptable to work under industrial conditions. It is, of course, not possible to produce skilled craftsmen in six months, but the training in the use of tools and in factory conditions and discipline is in itself sufficient to give a man a new start in life. This year, the Ministry of Labour has, in addition, set up "transfer instructional centres" for the express purpose of improving the chances of employment of men from the depressed areas who have been out of work for a long time. Married and single men, selected by the Department as likely to profit by the course, are eligible. The aim is to bring each man into the physical condition necessary for obtaining and keeping a job, and to revive habits of good timekeeping and steady work. They work out of doors for part of the time, but instruction is also given indoors in such pursuits as rough carpentry, boot and shoe repairing, or elementary metal work. There are also centres for training women and girls for domestic work conducted by the Central

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Committee on Women's Training and Employment. All these facilities are directed to training unemployed persons for employment in this country. In addition, there are centres where farm training is given to men and boys proceeding to employment on the land in one of the Dominions, and training as household workers to women and girls proceeding overseas.

This policy of giving educative and recuperative treatment is followed also by some progressive Boards of Guardians. In London, for example, the Boards of Guardians have banded together and established a training institution where persons in receipt of outdoor relief may receive a combination of industrial education and physical training.

It is in the third group that we find the nucleus of chronic unemployment. Persons who are much below the standard required for regular work not only put a strain upon the unemployment insurance scheme; they also clog the wheels of industry. Many of those in this group are beyond help except by way of maintenance. The State can do much to keep workers from falling to this low level by the provision of training at an appropriate stage and by the regulation of industrial practices.

These are some of the preventive and curative remedies, which are being applied in treatment of the unemployed. Their success and the success of any further measures that may be undertaken rest upon the recognition of the facts concerning the composition of the unemployed and an understanding of their individual needs.

## Notes

### THE AMERICAN COMPTROLLER-GENERAL AND THE BUREAU OF THE BUDGET.

In perusing the October issue of PUBLIC ADMINISTRATION, I came on the article by Mr. J. de Villiers Roos, entitled "Some Aspects of Financial Administration." I found this article quite informing, but I noticed some rather misleading statements about the auditing system of the United States on pages 360 and 361. Mr. Roos makes the statement that under the new law, referring to the budget and accounting act of 1921, "a bureau of the budget is established under a Comptroller-General as director appointed for fifteen years . . . . and whose chief duties are to frame the estimates, to audit and settle accounts, and suggest new laws." As a matter of fact the Comptroller-General is not head of the Bureau of the Budget and he does not have anything to do with framing the estimates, or as we call it, preparing the budget. He is head of the General Accounting Office and, as such, he is practically independent of the executive. Although appointed by the President, he serves for a term of fifteen years, as Mr. Roos has stated, and is removable only by a joint resolution of Congress or by impeachment. His office may therefore be called a legislative rather than an executive agency. Mr. J. R. McCarl has held the office of Comptroller-General since it was created and will continue until 1936.

The duties of the Comptroller-General are briefly (1) to control treasury receipts and issues, (2) to settle and adjust all claims against the government, (3) to settle and adjust all claims due the government, (4) to supervise and keep the general accounts of the government, and (5) to make investigations for and report to Congress on financial matters. His control over treasury receipts and issues is more or less a routine matter. But his authority to settle all claims either against or due the government is of large significance. The settlement of claims against the government is accomplished through a postaudit—more recently a preaudit in some instances—of all bills, statements, or vouchers. No settlement is final without the Comptroller-General's approval. At the same time, he acts as his own auditor, for he makes settlements as comptroller which he in turn verifies and approves as

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final without subsequent review. Thus far Congress has established no check on the Comptroller-General, such as a Public Accounts Committee; he is simply given free reins and not even the courts may curb his authority. In the settlement of claims due the government, the Comptroller-General conducts an audit of receipts. He asserts that his authority extends to a determination of the amounts that should be collected and offered for deposit in the treasury. On this point, he has come into conflict with the views of the Secretary of the Treasury, which are supported by the opinions of the Attorney-General. This has resulted in a curtailment, at least for the time being, of his audit of internal revenue and customs receipts. His authority has not been seriously disputed in the case of miscellaneous or departmental receipts. However, Congress will probably have to settle this matter in so far as internal revenue and customs receipts are concerned by more clearly defining the powers of the Comptroller-General. If the present trend of development is followed, the Comptroller-General's office—the General Accounting Office—will become not only what its name implies, that is, the central accounting establishment of the government, but much more; it will become the national department of finance. As such, it will be the office which will ultimately exercise budgetary control. And it will be completely removed, as we have already indicated, from executive direction. As an investigational agency for Congress, the endeavours of the Comptroller-General are practically nil. So far, Congress has made little use of his powers in this respect.

The Bureau of the Budget is actually attached directly to the President's office, although it is technically under the Treasury Department. It is headed by the Director of the Budget, who is appointed by and serves at the pleasure of the President. The approval of the Senate is not even required, as is the case with other presidential appointees. The Director of the Budget may therefore be considered as the personal representative of the President. Since the office was created in 1921, it has been held by General Charles G. Dawes for a period of about a year, then by General Herbert M. Lord for almost eight years, and recently by Colonel J. C. Roop, who succeeded General Lord in August, 1929.

It is the principal duty of the Director of the Budget and his staff to formulate the budget for the President, who submits it to Congress. Aside from this, the Director of the Budget supervises the keeping of certain records of quarterly allotments of the appropriations expended by the various departments and agencies of the government. In addition certain co-ordinating machinery has been set up under the Director of the Budget which is supposed to foster economy in governmental operation and to standardise practice and procedure.

## Notes

This is a rather sketchy statement of the structure and functions of the two offices created by the budget and accounting act of 1921. If you will pardon the reference to my own writings, I may say that a more extended discussion is to be found in my book on *Public Budgeting*, recently published by Harper and Brothers, pages 295-296, 448-451, 545-549, and 552-556. On the whole, the experiment in creating these offices has not been as "daring" as Mr. Roos indicates. Many phases of their work are still to be developed on a satisfactory basis.

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### ECONOMIC AND SOCIAL PROBLEMS Post-War Economics

*The Problem of Industrial Relations and other Lectures.* By HENRY CLAY. (Macmillan.) 12s. net.

*The Post-War Unemployment Problem.* By HENRY CLAY. (Macmillan.) 8s. 6d. net.

*The Next Ten Years in British Social and Economic Policy.* By G. D. H. COLE. (Macmillan & Co.) 15s. net.

*The Meaning of Rationalisation.* By L. URWICK. (Nisbet & Co.) 7s. 6d. net.

THESE four books can be conveniently considered together. They differ in style and method but they are all concerned primarily with the immediate economic situation in this country, and very largely with post-war phenomena.

Mr. Clay handles his data in the sober and careful manner which the public associate with responsible university professors. The foundations of the argument are truly laid, the superstructure is added in measured stages, and the conclusions are stated clearly and without exaggeration. The student who reads through the two volumes patiently will have obtained a very just appreciation of the forces which have shaped the industrial life of post-war Britain, and of the special factors which have made this period differ from the years before the war. That difference, so far as unemployment is concerned, Mr. Clay estimates roughly at  $7\frac{1}{2}$  per cent. or the equivalent of 900,000 persons. We had unemployment before the war, as readers of the reports of the Poor Law Commission will not need to be reminded and we had all agreed that it was "a problem of industry" and not a problem of personal defect, that it was a problem of adjustment of the supply and demand for labour, and that it had somewhat obscure cyclical characteristics. But none of these orthodox explanations is very helpful to-day. There is "a residual" post-war problem. Recent fluctuations have taken place on the top of a persistent depression represented by something like a million unemployed. "This underlying problem has persisted so long that there is no warrant for attributing it to ordinary trade depression and expecting it to be relieved by unaided trade recovery." The depression is mainly concentrated on the older and

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larger export industries, which are in competition with the similar industries on the Continent. But they have derived as much assistance from inflation as ours have suffered handicap from deflation.

" Their indebtedness was reduced to a fifth or less of its real burden, or wiped out altogether; they were enabled to re-equip and re-organise out of profits made at the expense of their fellow-countrymen; and their costs, reduced relatively to prices by the process of inflation, were stabilised at this favourable level by the stabilisation of their currencies at or near the peak of inflation."

To this must be added all that is embraced under the blessed word Rationalisation, which is the subject of Mr. Urwick's exposition. The strength of our continental rivals is not based solely on low wages, but on "the technical and commercial efficiency brought about by re-equipment and re-organisation out of the profits of inflation and reparation payments."

Thirdly, there is to be borne in mind the bulwark against wage-reduction and re-adjustment at lower wage-levels erected since the war by "social services" of various kinds. To-day wages are held up generally by trade union policy backed by statutory Government support, directly and indirectly. The trade union negotiator can now afford to take the risk that a wage-rate on which he insists will cause unemployment, because his constituents will be provided for by the dole in one or other, national or local, of its protean and ubiquitous shapes. This has helped to make "the English wage-system the most inelastic in the world."

At the other end of the scale we have the sentimental and short-sighted policy of the joint stock banks. In pre-war days bankruptcy was a wholesome selective agency eliminating the less efficient firms and concentrating production on the better placed and better managed companies. This winnowing fan has operated very sluggishly since the war. Firms which should have been allowed to die have been kept feebly alive with overdrafts of financial oxygen and have spread a depressing miasma far beyond the range of their own insolvent corpses.

We cannot pursue the diagnosis further and must turn from Mr. Clay to Mr. Cole for a moment. Mr. Cole has written what is professedly a political programme for the Labour Party. It has the characteristics of such documents. It is all-embracing and it is omniscient. It is eloquent and it is optimistic. Its criticism is sharply defined, its construction, when real difficulties emerge, tends to be vague in outline. The result is an atmosphere of fluffiness which neither the brilliance nor the speed of the style can altogether dispel. Fluency which may be convincing on the hustings is suspect in the

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study. Obstinate questionings will assert themselves and the reader would be more easily persuaded had the author insinuated ever so delicately that there were some things in heaven and on earth not entirely and exclusively revealed to his superior intelligence. This remark which one is provoked into making is not quite fair to Mr. Cole for he himself in this volume admits, with admirable sincerity, that he is less infallible than he was ten years ago in the days when Guild Socialism burst upon a war-stricken world. Twelve months' experience of government on a parish council in his twenties would have saved Mr. Cole some books in the thirties, but the passage of the years is having its mellowing effect and is gradually correcting the solitude in which so much of Mr. Cole's thinking has been done. If his head is no longer in the clouds but only in the trees we shall doubtless ten years hence find him with his feet on the all too solid earth. There are signs that he is discovering the average sensual man, who is the end of all the legislative pother, and for whose happiness the Kingdom of God has been invented. It is out of this human stuff the Labour Exchanges would have to form the National Labour Corps which Mr. Cole puts forward as a means of employing the men now on public relief. If the Labour Government forms a Kitchener's Army to tidy up England instead of devastating France we hope Mr. Cole will be given the rank of a corporal in it, and that he will keep a diary and publish it bye-and-bye. It would eclipse *Journey's End*.

We must not be taken too seriously. We hope our readers will turn to Mr. Cole's lively and provocative pages. They are full of stimulus to Civil and Municipal Servants all too prone to behold difficulties in the task of advancing the quality of our social life. When the corrective of administrative experience is applied there will still remain the inspiration which comes from contact with straightforward and courageous thinking.

Z.

### **Cartels and the State**

The Problem of Trust and Monopoly Control. By A. P. L. GORDON. Pp. viii + 186. (G. Routledge.) 5s.

MR. GORDON's little book appears at an opportune moment. The traditional British attitude to this particular form of industrial combination is being challenged, and a British Government has proposed not merely to recognise but actually to enforce the cartellisation of one of our basic industries. In these circumstances Mr. Gordon's contribution to the somewhat scanty British literature on the subject is well timed.

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The book is much less ambitious than its title. Substantially it consists of a historical survey of the German Cartel, with special reference to the effects upon it of the war and the economic dislocation of the post-war period, followed by a study of the problem of the control of those combinations by the State in the interests of individual producers and of consumers. Other forms of combination are but lightly touched on and consequently little use is made of the experience of other countries—notably America—in attempting the control of industrial monopoly. His point of view is economic rather than legislative, but in a concluding chapter he advocates a new policy towards trade associations for this country, embodied in a series of suggestions for legislative and administrative action.

The Cartel, it has been said, is the child of distress, and perhaps its most conspicuous feature is its instability. Just because the separate identity of its constituent members is preserved, it contains within itself the seeds of its dissolution. The study of Cartellism in Germany on the legal side will be found to turn mainly on the issue of withdrawal, just as, historically, the dissolution of Cartels is most often due not to the emergence of external competition but to the secession of important members. In times of prosperity they tend to develop the closer and more permanent forms of combination—trusts and complete amalgamations. This tendency has been specially prominent in Germany since the war. Equally, in times of industrial recession the sacrifices imposed on individual members have often placed too great a strain on the loyalty of the more aggressive and enterprising participants. And where combination of the vertical type develops, a whole crop of troublesome problems is created for any cartel to which they are related.

In spite of these inherent weaknesses, there is undoubtedly, from the point of view of general economic welfare, a case for the wisely managed cartel as against free and unrestricted competition on the one hand and the giant monopolistic concern on the other. Cartellism seems to play in Germany at the present time as important a part as at any previous period. It would be interesting to inquire whether the view that Germany is pre-eminently the home of the cartel is based on fact or is merely due to the full legal recognition and, at times, State encouragement which has for many years been extended to it in that country—an attitude very different from that of Great Britain, which gives it no legal status, and that of the United States, which prohibits it by law. The Balfour Committee estimated as regards this country that, taking manufacturing and extractive industry only, "the proportion of the whole area which is subject to the direct influence of combinations does not at the outside exceed one-fifth, and may be considerably less." Whatever the correspond-

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ing figure for Germany may be, we do at any rate know a good deal more about the scope, functions and methods of the German cartels than is known of their very reticent British analogues.

For this the Kartell Ordinance of 1923 is largely responsible. Space does not here permit an adequate account of that interesting and very important piece of experimental legislation, for which students must be referred to Mr. Gordon's two excellent and well-documented chapters on the subject. Its salient features are the provision that all agreements for regulating production, sale and prices must be in writing, the wide powers of administrative intervention given to the Minister of Economic Affairs, and the creation of a special judicial tribunal, the Cartel Court, with exclusive and final jurisdiction in matters within its competence.

The ordinance is based on the principle that any agreement of the kind described which is, or is so applied as to become, contrary to the economic welfare of the community, justifies the intervention, administrative or judicial, of the State. In Mr. Gordon's view it has already led to the emergence of a new type of cartel, in which the advantage of its members "does not conflict with the common weal." This, one may suspect, is putting it rather high: but he quotes authority for his statement that the new cartels "aim at increasing the productivity of industry" by, it may be mentioned, methods similar to those which American industry has applied with striking success in recent years.

Mr. Gordon concludes with a plea for the modification of the traditional attitude of law and public policy towards combinations in this country. In his view the common law doctrine as to restraint of trade, as it now stands, "has reference to an economic order which has long since died: under modern conditions there exists a strong case for revision, and, if this is neglected, Great Britain may well forfeit her industrial leadership through obstinate adherence to the principles by which it was gained" (p. 148). Recognise the combinations, he says, and impose on them appropriate obligations and the right degree of control. "The old argument, that the doctrine cannot be altered for fear that the courts might find themselves in the position of having to enforce a monopoly, has long ceased to apply. The worst abuses of monopolistic organisation have been constantly and cheerfully enforced by the courts in the sacred name of that competition to which the combinations are most opposed: a doctrine devised to protect free competition has become a shield, not indeed to monopoly itself, but to the worst devices which the craft of monopolists could invent: it is only the innocent and useful who are seriously impeded" (pp. 157-8). We may admire the author's logic while feeling some doubts as to the willingness of this country to face the

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administrative consequences of the policy which he advocates. The legal or judicial definition of "unfair trade practices" and the determination by authority of a "fair price" are processes to which the British habit of mind is determinedly adverse. Indeed Mr. Gordon's view of the scope of judicial determination in such matters—for he sees that administrative determination would be even less acceptable— involves attaching to the word "judicial" a meaning which is foreign to British conceptions. But to all who are interested in the rebuilding of the structure of British industry which is now taking place, and whose consequences cannot yet be foreseen, this study of one type of structure, the way it works in the country of its highest development, and its relation to the organised community, may be commended.

The arrangement of the matter in Chapters III, IV and V might well be improved, and on page 112 the reference should be to Sections 11 to 23 of the Ordinance.

H. N. B.

### **Freedom of Association**

Published by International Labour Office, Geneva. 4 vols. Price 20s. net. In 1927 an attempt was made at Geneva to draw up an international convention on Freedom of Association. It failed owing to unbridgeable differences between the workers' group and the remaining delegates. As a necessary part of the preliminary labours of the Secretariat, a comparative study was made of the law and practice of workers' organisations in a number of countries, and this has been published in four volumes which constitute an invaluable record of a kind that only a great international body could hope to undertake successfully. Thus, the abortive attempt to frame a convention was after all no waste of time, and in any event a study of these reports will convince anyone that sooner or later the multitude of problems raised by the very term "freedom of association" must still be faced, and many of them must be settled internationally.

The subject seems at first sight an academic one, of great interest perhaps to lawyers and political theorists, of some concern to trade unionists, possibly, but with little or no bearing on practical affairs. Such a view is profoundly mistaken. Behind this innocent sounding phrase lie hidden some of the fiercest struggles of the past and some of the most burning questions of the practical politics of to-day.

The whole problem of group rights within the State, of the liberty of the individual within the group, and of the nature of the modern State, is here for the statesman to study in its setting of labour organisation. For the business man and the ordinary citizen the settlement of this controversy is bound up with the future of industrial

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relations and indeed with the successful functioning of the entire industrial system. To the administrator the matter is one of absorbing interest because his work and position are in the future going to change with the changed relations of these organised groups with the State and with each other.

We may view the problem from the historical point of view; how has freedom of association, and especially of this grouping in trade unions, come about in the different countries where it now exists and why it has evolved much farther in some than in others? The I.L.O. gives us brief but adequate historical introductions which help us to answer these questions. The development in the Anglo-Saxon countries has been different from that in Germany, Belgium and France, for example, and we learn something of the reason for this difference. In some of the modern industrial States organisations have been deliberately created, the general principle of freedom being already accepted. In the "older" countries freedom followed from the adoption of the *laissez faire* philosophy, and organisations which had come spontaneously into being under a repressive régime merely acquired formal recognition. Historically, associations have acquired freedom (more or less limited) because they had the will to live; they sprang into existence of their own accord because they represented human impulses otherwise denied expression, and therefore they had to live and grow with or without the blessing of authority.

We may also view the matter legally; how has the habitual attitude of the community to associations been crystallised in the form of laws? The law is always a long way behind the most advanced opinion and is usually behind the best current practice, too. Consequently the legal position of associations is in most cases extremely out-of-date, but nowhere is it more peculiar and illogical and indefinite than in Britain and U.S.A. These volumes give extremely lucid accounts of the law governing freedom of association in the principal countries, a very difficult feat in view of the widely different systems of jurisprudence that exist.<sup>1</sup> In Britain and U.S.A. the old common-law doctrine of restraint of trade was largely modified to permit the existence and activities of associations that very decidedly passed beyond the accepted limits of such restraint, but no corporate status was devised for these bodies. They are still only "quasi-corporate" bodies, a term which has no very precise meaning. In America the courts have tended more and more to take the realistic view that associations which act like corporate bodies must be treated as such, a position identical with that reached in many countries by legal

<sup>1</sup> It is understood that the United States, which is not included in the detailed accounts in these volumes, will be dealt with in a subsequent volume.

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enactment. A similar development in this country was indicated in the Taff Vale judgment of 1901, but was definitely stopped by the Trade Disputes Act of 1906. The questions involved here are of great practical as well as theoretical importance and without doubt they will arise once more in the future. In some countries Unions are legally recognised as having the sole right to represent the vocational interests of their members; they have become, practically, public institutions.

This brings us to yet another point of view, the realistic one. How do these associations actually work, and whither are they tending? On this, the I.L.O. has naturally less to say, but the attentive reader can discover a good deal if he compares the descriptions of the trade union movements in different countries. The Italian experiment, which is both interesting and important, can only be seen in the paper constitution for the Corporative State, but behind all the laws and regulations the new forces moulding the industrial society of the future are plainly to be seen.

Civil servants will find the account of French conditions especially valuable, for it is in France that the keenest struggle over the position of Civil Service Associations has been and is still being fought. After reading this section the student will wish to turn to some of the voluminous literature that has grown up, both in French and English; H. J. Laski's essay on Administrative Syndicalism in France (in his "Authority in the Modern State") is still the most brilliant piece of writing on the question.

In short, it will be evident that these four volumes not only give us a most useful comparative treatment of the subject, particularly on the legal side, but also furnish a wealth of suggestion and stimulus that will encourage further study of what is fast becoming one of the major problems in politics and industry.

W. MILNE-BAILEY.

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### IMPERIAL AND FOREIGN RELATIONS

#### The Sovereignty of the British Dominions

By Professor A. BERRIEDALE KEITH, D.C.L., D.Litt. (Macmillan & Co., 1929.) 18s. net.

IN "The Sovereignty of the British Dominions" Professor Keith approaches a subject on which he is a recognised expert from a stand-point somewhat different to that of other books which he has written.

His main theme is the same—the constitutional status of the self-governing Dominions within the British Commonwealth. But the book, besides giving a historical outline of the development of what Professor Keith describes as "internal" and "external" sovereignty, is largely taken up with a description of the manner in which that sovereignty has manifested itself under recent practice.

From this point of view, the book is a storehouse of information for the student and, indeed, for all those interested in the constitutional development of the British Empire.

It is doubtful whether there has been collected so fully elsewhere and in so relatively concise a form all the leading historical facts on the progress of the Dominions in such matters as Naval, Military and Air Defence, the negotiation of Treaties, the development of separate diplomatic representation and relationship to the League of Nations.

Professor Keith has obviously followed all the most recent events in these and similar spheres with keen attention. He has missed nothing essential and little of importance.

From the wider constitutional point of view, the verdict on his book is not so favourable. As might perhaps be expected by anyone acquainted with his previous writings, he is at pains to lay stress on the theoretical limitation of Dominion sovereignty (whatever is the precise interpretation to be given to that word of many meanings). The contrast which he draws throughout is between, on the one hand, the unfettered legal supremacy of the Parliament at Westminster and the wide functions of Ministers of the Crown in the United Kingdom, and, on the other hand, the relatively limited sphere and responsibilities of Dominion Parliaments and Ministers.

In this respect, we think Professor Keith is not infrequently mistaken in the spirit, if not in the letter, of his conclusions and, it may be added, wrong in his outlook. Indeed, he may be regarded as his own critic, in that his historical summaries of constitutional development of the Dominions in its various aspects lay great stress

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on the readiness of the United Kingdom to make concessions to or, in his own words, to "share sovereignty with" the Dominions.

From this point of view, surely it is more important to emphasise the gradual approximation to equality, and to interpret the existing situation in the light of this principle, than to insist on the measure of theoretical inequality which still exists.

One may prophesy with a fair degree of confidence that Professor Keith will have to adjust his conclusions and modify his outlook after the next Imperial Conference.

If the value of his book (apart from its historical outline) is temporary, Professor Keith will, we feel, have only himself to thank.

X. X.

### **The Governance of Hawaii**

(Stanford University Press. London Agents: Oxford University Press.)  
12s. 6d. net.

THE manner in which other countries are governing their colonies is a subject which must always be of special interest to British colonial administrators. The more we know about the methods adopted and the results obtained in the government of primitive people, by other colonising nations, the less likely shall we be to "buy experience" at a high and unnecessary cost in our own tropical dependencies. A good deal has already been written concerning the methods followed by the French and the Dutch in their colonial Empires but comparatively few studies have, so far, been made of the American manner of dealing, in tropical territories, with the problems which beset all colonising administrations.

As an interesting and lucid contribution in this direction Mr. R. M. C. Littler's book, "The Governance of Hawaii," is to be welcomed. This book will not only be appreciated by students of the methods of colonial government but will afford easy and interesting reading to those who would like to know something of the conditions under which the people of some of the loveliest islands in the world are living to-day.

To most people the name Hawaiian or Sandwich Islands conjures up more or less vague ideas about Captain Cook, cannibals, sugar, garlands of flowers and easy morals. As behoves a student of political economy Mr. Littler touches but slightly on those fascinating subjects. He concentrates on a clear and concise exposition of the extremely elaborate system of government that has been gradually evolved in Hawaii and the results that have been obtained.

It must be noted, in the first place, that the Hawaiian Islands—a name which the Americans have preferred to the original Sandwich Islands—are not a "colony." They constitute a "territory"

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of the United States and Mr. Littler's book is a study of territorial administration on American lines rather than of colonial government. It is somewhat difficult for those who have not closely inquired into the polity of the United States to get a correct idea of the difference between a "State," a "territory" and a "possession." Mr. Littler tries to make the point clear but when we read that "it seems simpler to designate the non-state areas which are fundamental parts of this nation as territories, and the non-state areas which are not fundamental parts of this nation as possessions" one cannot feel that this abstruse question has been substantially clarified to the casual reader. We are told, however, that Hawaii and Alaska are the only existing American territories and that Porto Rico, the Philippines, the Virgin Islands (ex Danish), American Samoa, the Panama Canal zone, Guam and a few minor islands are "possessions."

Mr. Littler gives an impressive account of the marvellous progress that has been made in the Hawaiian Islands since they came under the control of the United States. Although American influence has been predominant in the islands for more than fifty years it was not until 1898 that sovereignty over the group was definitely assumed by Congress. The aboriginal population of the islands, like that of all the other Pacific groups, has steadily wilted and dwindled before the intrusion of the white man, and of the Hawaiians, of pure breed, who, at the time of their discovery, numbered some 250,000 barely 20,000 have survived to the present day. Knowing that no great industrial developments could be effected without an adequate supply of labour the Americans, even before the definite annexation of the islands, sought everywhere for the *main d'œuvre* which was essential. Although the immigration of Chinese, who had already established themselves in the islands in large numbers, was stopped when the group came under the direct sovereignty of the United States the Americans do not appear to have had the same objections to the Japanese. As an antidote to the Chinese they were welcomed to such an extent that the last Census gave their numbers as exceeding 134,000. As the local franchise belongs, *ipso facto*, to every person born in the islands under the American flag the possible influence of a large "yellow" electorate in the not distant future is becoming a disturbing outlook for the white population of the islands.

Large as has been the influx of Japanese it has been inadequate to meet the requirements of industry. The net has been cast wide and immigrant labour has been sought in many parts of the far-distant world. In addition to the 160,000 Chinese and Japanese the 350,000 inhabitants of the group now include more than 60,000 Philippinos, 30,000 Portuguese and 40,000 "Haoles," which is the

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inclusive name given to all who are of North American and European complexion. The population of the Hawaiian Islands is, in fact, to-day an "*omnium gatherum*" of all kinds of races. The final product of such a mingling will be of great interest.

Mr. Littler's book is full of useful information and gives a vivid impression of what American capital and enterprise can effect in a tropical country far distant from the parent State.

HESKETH BELL.

### Executive Agents in American Foreign Relations

By HENRY MERRITT WRISTON. Pp. xii + 392. (Baltimore: The John Hopkins Press. London: Humphrey Milford.) 20s. net.

THIS book describes a class of envoy very common in United States practice, rather rare in ours. What is the reason of the difference? With us the King (acting on the advice of the Executive) appoints a diplomatic agent, and the King (acting on the same advice) ratifies treaty engagements made by such agents: in the United States "Ministers go abroad not instructed by the same authority which is to ratify their proceedings"; thence continual friction, actual or potential, between the President and the Senate; and the President has, during the whole history of the United States, had to seek for expedients to circumvent that anomalous state of affairs. The usual expedient is to appoint "executive agents"—persons appointed by the executive acting alone. Their powers are derived from, their duties are assigned by, their compensation is determined by, and their position is wholly dependent upon the executive power, lodged by the Constitution in the President."

(By the strict letter of the law, the President would seem to be bound even in the selection of regular diplomatic envoys; by the law of 1893, the rank of ambassador was created and the circumstances were defined under which an ambassador might be sent, and by the law of 4th March, 1913, it was enacted that "hereafter the Executive shall not extend or accept any invitation to participate in any international congress, conference or like event, without first having specific authority of law to do so." But against this the President has long-standing practice on his side, and the fact that he "is the sole organ of the nation in its external relations, and its sole representative with foreign nations. . . . The President being the negotiator, it follows as a matter of course that any person employed as his deputy in the matter is his agent. The President may make the treaty himself. Ordinarily, because of the pressure of other duties, he relies upon an agent to prepare a draft of a treaty for his approval. Being his agent, the choice is no concern of the Senate." In fact, he appoints diplomatists *proprio motu*.)

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Mr. Wriston gives a careful account of these special executive agents and their missions. After a discussion of the constitutional background and a long exposé of Congressional opinion on them (which has naturally been far from uniformly favourable), he takes them severally: and here I think he has adopted a logical system of arrangement which makes his book rather difficult reading. Instead of taking each mission in chronological order, he has preferred to divide them into categories, as may be seen by his chapter headings—

Agents sent to open relations.

Agents to countries with which the United States had broken off relations.

Agents to unrecognised states and governments.

Agents to international conferences.

Agents to countries where the United States had no regular diplomatic officers.

Agencies growing out of the nature of the business.

The consequence of this is that, on continuous reading, it is hard to recollect at what period of the country's constitutional development any given mission occurred and is here being studied—we plunge, for instance, from American missions to Russia towards and after the end of the Great War to agents sent by Washington to [Spanish] Florida, and constant reference backwards and forwards to various points of United States history is liable to confuse the mind of even the most attentive reader.

Agents sent to Great Britain have naturally the greatest interest for us. The mission of Gouverneur Morris in 1789 is among the most important, and a good deal about it may be found by referring to the index and looking up the dozen or so references against Morris's name; but there is not any consecutive account of the inauguration of the mission, the manner in which it was regarded at home and abroad, and its actual accomplishment. On the other hand, the story of the activities of Colonel House, though short, is illuminating.

Students of modern politics will have noticed that at many international conferences the United States is represented not by a delegate but by an "observer." Mr. Wriston's book explains how this came about—it is more a consequence of the rather unfortunate balance of power between executive and legislative, than of any wish of that country to stand aside from world affairs. The work will indeed be a most illuminating study to those for whom the governmental machinery of the transatlantic Republic is still something of a puzzle.

STEPHEN GASELEE.

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### LOCAL GOVERNMENT

*Local Government.* By E. BRIGHT ASHFORD. (P. S. King & Son, Ltd., 1929.) 2s. 6d.

*How We Are Governed.* By Sir JOHN A. R. MARRIOTT. (Oxford University Press, Humphrey Milford, 1928.) 2s. 6d. net.

*Municipal and Local Government Law (England).* Second Edition. By H. EMERSON SMITH, LL.B. (Sir Isaac Pitman & Sons, Ltd., 1929.) 10s. 6d. net.

*The Local Government of the United Kingdom.* By J. J. CLARKE. (Sir Isaac Pitman & Sons, Ltd., 1929.) 12s. 6d. net.

SHORT books on English Local Government have from time to time been published; and some of them, though short, have been tedious to read. Their brevity has been their danger. There is so much to say that the writer is in a difficulty. Either he puts in a large quantity of detail and has no space to develop it; or he leaves out things which a reader will expect to find.

Miss Ashford has succeeded in writing a book which is sufficiently comprehensive and yet is readable. She has qualifications for this task. She is a barrister and knows the statutory framework of modern English institutions. She is a member of the St. Marylebone Borough Council and knows what is the kind of thing that persons engaged in carrying on the practical business of local government will want to know. And she is a historical student, and is able to supply that background to everyday things which is not only interesting in itself, but is of real help towards giving them their true values.

The book has an index, and passages which illustrate and justify what has been said above will be found under the headings of house refuse, highways, commons, and water supply.

History occasionally takes Miss Ashford a long way back, and in dealing with chartered towns she mentions the message sent by William I in 1066 to the City of London. He greets the Bishop and the Portreeve and all the Burghers, French or English. And he goes on:—"And I make known to you that I will that ye be law-worthy (*i.e.*, having a standing in the law courts), as ye were in the days of King Edward. And I will not suffer that any man command you wrong. God keep you." Here the shades of ignorance fall upon the reviewer, and he does not know what the City made of this benediction—or this menace.

A chapter on Finance might be a useful addition in any subsequent edition of the book.

If the reviewer takes up with misgiving a short book on local government, his misgiving is increased when he turns to one which

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deals, as Sir John Marriott's book does, not only with local government, but with central government as well, and indeed with that of the British Empire. Short books on large subjects may be merely a sop to the undeserving. Sir John Marriott's book is shown in the preface to be intended, at any rate in part, as an introduction to his larger works, and a prospective reader may be excused for wondering whether this is the only good purpose it will serve.

Any such impression is soon corrected by the book itself. Sir John Marriott surmounts the difficulties with an easy mastery and produces a book which is both useful and interesting. The essential elements in the British system of government are shown in their historical setting and, broadly speaking, in their true proportions. Perhaps too much space is taken up in describing the Government Departments, but this is a matter on which nowadays many people wish to be informed.

In this connection it may be mentioned that the assisting Minister in the Scottish Office (*see* page 62) is now the Under-Secretary of State, not the Under Secretary for Health—an office which was abolished by an Act of Parliament passed in 1926: and that the Department dealing with education is styled the Board of Education, not the "Ministry," as it appears on page 63.

Sir John Marriott goes too far when he says in dealing with the demarcation of functions between legislation, justice, and administration, that since the time of Montesquieu there has been a tendency to keep rigidly separate these several functions of government. In analysis, the distinction between these functions is of the first importance; but in practice it is characteristic of this country that the distinction has not been rigidly observed. To take the least obvious of the exceptions, there are things done by the courts which, if anyone else did them, would be called administration.

One of most impressive chapters in the book, though a very short one, is that dealing with the British Empire. Visitors from overseas do not always seem to the Londoner to assess at their full value those historic buildings at Westminster to which Sir John Marriott refers and what they stand for. But the fault is much more on the other side: and his last chapter, with its brief recital of particulars, may serve to remind some of us how little we realise the extent, the importance, and the resources of the Empire.

Mr. Emerson Smith's book is primarily a book for students, as may be seen from the suggestions which he makes at the end of it for the benefit of those who have examinations to pass: but it is not only for them, and he probably expects—and with justice—that those whom the book has helped to pass the examinations will turn to it and

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know their way about in it when they subsequently sit down in a town clerk's office and take a part in the transactions to which the book relates. It is not always safe to pursue more than one object in the same book; but the claims of the student and the officer are capable of being adjusted and are fairly well adjusted in this book. The citizen would find it rather tough.

It is no doubt with a view to the needs of the student that the book opens with a general discussion on law and the sources of law, which would otherwise seem rather out of place: but both classes of readers will find it useful to know about the Interpretation Act and the rules for the construction of statutes. Something more might perhaps be said about the courts of law, especially about courts of summary jurisdiction and quarter sessions, which figure a good deal in local government legislation. As regards the higher courts, there seems to be an incorrect distinction drawn on page 7 between the Divisional Court and its component divisions.

One of the strong features of the book is the use made of verbatim quotations. It is much better to read the actual Wimbledon charter than to hear in general what charters contain: and the same is true with regard to the extracts from statutes and the remarks of judges.

Very good guidance is given to committee clerks: they should endeavour to *foresee* what points are likely to arise on the business to be done. It is the first rule in all this class of business—and perhaps in any other—to look as far ahead as the facts available at the time will permit and to form provisional conclusions upon them. And the second rule is like it and is, to be willing to scrap the previous work and discard the conclusions as new *data* come into view.

A fifth edition has been published of Mr. J. J. Clarke's book. An earlier edition was reviewed in the issue of this JOURNAL for July, 1924; and attention was called there to its practical common sense and comprehensive information. A good deal has happened since then; and Mr. Clarke has brought his book up to date by expounding in an early chapter the principles on which that complicated statute, the Local Government Act, 1929, is based, and by dealing in a later chapter with the allied subject of Grants-in-Aid, both as they were and as they are.

E. H. R.



